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NEWS SUMMARY

GENERAL
Begin hits out at U.S. weapons sales plan

Secretary Caspar Weinberger of only paying the price of the maintenance of Israel's military edge in the Middle East. Page 4

The U.S. Secretary of State Alexander Haig said in a television interview that some early progress is expected in talks on Palestinian autonomy.

Costa Rica has moved its embassy back to Jerusalem, Israel regards this as a diplomatic breakthrough and hopes other countries will follow.

Gulf battle

Iranian forces have launched a new offensive to drive Iraqi troops from Kharramshahr, according to reports from both sides.

Pole can leave

Jan Josef Lipski, a top official in the suspended trade union Solidarnosc, has been given permission to leave Poland to travel to London for treatment for a heart condition.

Abduction fear

French police suspect that exiled Romanian writer Virgil Tanase, who was missing in Paris last week, may have been abducted by the Romanian secret service.

Strike threat

Yorkshire miners' leaders are considering calling a 24-hour strike in support of Health Service unions who are taking action on June 4, over a 12 per cent pay claim. Page 3

Uister fires

Two girls in two house fires in Northern Ireland. A man, aged 22, and an eight-year-old girl, in Lisnaskea, and a 79-year-old woman in north Belfast.

Divorce law plea

The Campaign for Justice in Divorce has urged the Government to stop "dragging its heels" and change the divorce law, so as to end all maintenance payments to adults. Page 6

Monaco winner

Riccardo Patrese (Italy, Brabham) won the Monaco Grand Prix after Alain Prost (France, Renault) crashed while leading.

Council row

Council services in Wandsworth, London, face a total shutdown within two weeks in a long-running dispute between the council and unions over privatisation. Page 9

Loophole worry

The Government now accepts that many unions and employers will get round the closed shop provisions in forthcoming employment legislation by concluding deals at a local level. Back Page

Rape trial

The trial of three Glasgow youths for rape and assault, being brought by private prosecution, starts today at Edinburgh's High Court. It is expected to last four days.

Briefly

Police in Toronto are probing the deaths of 43 children at the city's Hospital for Sick Children.

Cevdet Sanay, President of Turkey from 1966-73, died in Istanbul, aged 82.

A major fire at Tesaco's oil refinery at Milford Haven is being investigated by police.

Death toll in a weekend bomb blast in Beirut rose to 12.

BUSINESS
Economic outlook 'remains bleak'

U.S. and Europe's outlook for economic recovery and unemployment remains bleak, according to a confidential paper by the Organisation for Economic Co-operation and Development. Back Page

U.S. Government was urged by Herr Karl Otto Poehl, West German Bundesbank president, to curb its budget deficit to help bring down world interest rates. Back Page

WEST GERMAN interest rates declined last week after the earlier reduction in the Bundesbank Lombard rate. There was no sign of any other action by the central bank to bring the currency back under its divergence limit within the European Monetary System. The

ARGENTINE AIRCRAFT SHOT DOWN • SECURITY COUNCIL MEETS AGAIN

Order to retake Port Stanley

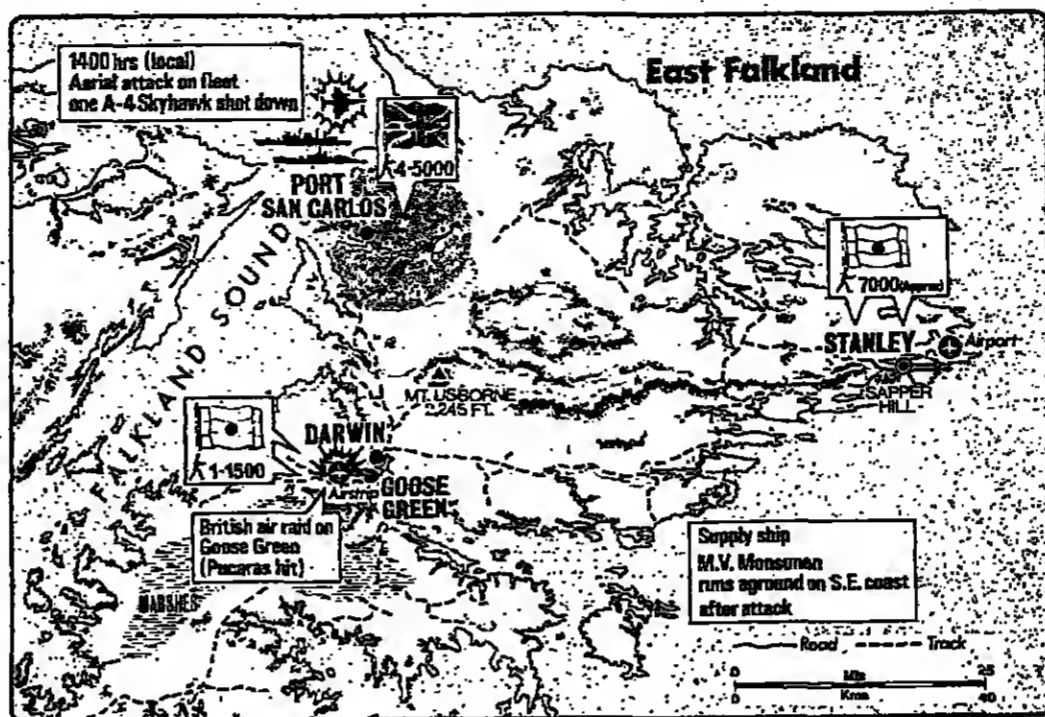
BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE BRITISH task force in the South Atlantic has been ordered to recapture Port Stanley as quickly as possible and secure an unconditional surrender from Argentine troops there, it was indicated in Whitehall yesterday.

The Ministry of Defence reported last night that there was a number of raids against the ships of the task force in the early afternoon. Five Mirages and one Skyhawk were shot down by British ships, aircraft and land-based anti-aircraft missiles around San Carlos water. One British frigate sustained damage but the extent of this was unknown.

Following their successful establishment of a bridgehead on East Falkland, task force commanders have been told that the Government would like to see events move to their conclusion as soon as possible. The Government hopes that Port Stanley can be captured within days.

Britain's political and military leaders are encouraged by



British lives—20 on the frigate Ardent, which sank after Argentine fire, and eight others dead or presumed dead. Argentine casualties are not known.

However, British and Argentine views of Friday's action and what has been happening in the two days since then are considerably at variance.

Yesterday the Ministry of Defence described a 36-hour lull during which the British landing had met with no opposition. Aircraft from the task force continued to patrol, it said, and had attacked Goose Green airstrip.

The Defence Ministry has not said how many Royal Marines and paratroopers landed at Port Stanley.

San Carlos hit yesterday by 100 fighter-bombers against the Argentine Foreign Minister, said British and American newspaper reports that there could have been as many as 5,000 was "complete misinformation." The Argentines yesterday said that not more than 400 marines were ashore and were being harassed by Argentine fire.

In Buenos Aires yesterday, Argentina's air force commander, Brigadier Basilio Lami Dozo, said that his forces were ready to drive off any more attacks on the islands.

Argentina's main advantage in the current conflict is its air force which, even with the heavy losses suffered so far,

Full UK control of Falklands needed 'for at least 6-12 months'

BY OUR FOREIGN AND POLITICAL STAFF

BRITAIN has come to the conclusion that it is necessary to maintain full control over the Falkland Islands for at least six to 12 months after the end of the hostilities which are being pursued to force the Argentines out.

As the British ground forces pressed inland from their beachhead at Port San Carlos, on the northern coast of East Falkland, Mr Francis Pym, the Foreign Secretary, said on U.S. television that it seemed "very likely" that Britain would have to complete repositioning of the islands by force.

Mr Cecil Parkinson, Conservative Party chairman and a member of the "inner Cabinet," said it was difficult to imagine any circumstances in which either the islanders or the British people would ever agree to ceding sovereignty.

Mr Nicanor Costa Mendez, the Argentine Foreign Minister, said in New York that his country had widespread support from other Latin American countries, from the Soviet Union, and Poland.

President Mitterrand reaffirmed France's solidarity with Britain over the Falkland crisis, saying that this support should not be in doubt.

Mr Alexander Haig, U.S. Secretary of State, said there could be little hope of a diplomatic settlement until there was a clear change in the military position. But he added that sacrifices and military frustrations could present "rather auspicious circumstances for negotiations."

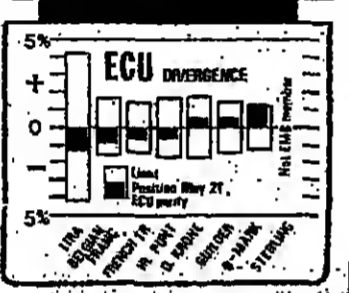
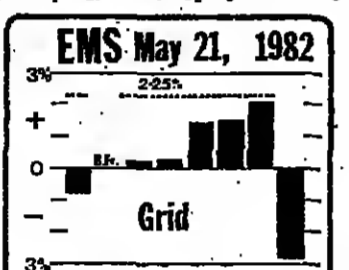
For the moment a tough line has emerged in Whitehall in the wake of the early military successes. Ministers accept that the maintenance of a long-term presence on the islands may prove expensive, but believe that British public opinion would not allow the islands to be given away.

When the islands were recaptured, Mr Parkinson said yesterday, Britain as a nation would have to be prepared to pay the price of keeping them until a solution could be found acceptable both to the islanders and the British people.

The message from Downing Street was that the entire situation had been changed by Argentina's refusal to agree to a negotiated settlement. Argentina had, by her intransigence, forfeited any hope of eventually being awarded sovereignty over the islands she has claimed for the past 149 years.

There are indications that the Government is turning its attention increasingly to the difficult political and military implications

FALKLANDS WEATHER:
Wind W Force 6-7 (25-30 knots); 12 ft seas. Cloudy, showers. Temp upper 30s F.
OUTLOOK: Wind NW, Force 7-8 (25-30 knots). Cloudy, rain developing. Temp low to mid-40s.



Tories deny snap election plans

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

MR. CECIL PARKINSON, the Conservative Party chairman, moved quickly yesterday to quash suggestions that the Tories might be about to cash in on the Falklands dispute by going for a snap election.

So far as he was concerned, he said, there was no question of an autumn election.

The Falklands crisis, he insisted, was "way above party politics," and the Conservatives "wouldn't dream of engineering an election round it."

Instead, he hinted, the Government might well go its full term and not go to the electorate until early 1984.

Speculation that the Government might go for a "khaki" election was fuelled at the week-end with a speech by Mr Francis Pym, the Foreign Secretary, in which he urged his local party in Cambridge-shire to set its sights on the next election.

His speech appeared to confirm the worst fears of Tory political opponents that the Government might be about to exploit the support it has received for its handling of the Falklands crisis by an autumn election.

Mr Pym was apparently surprised by the interest his speech attracted. Yesterday his colleagues were saying privately that the speech was an unfortunate lapse by the Foreign Secretary, who throughout the past few weeks has tried to keep politics out of the dispute in an attempt to maintain a united front at Westminster.

With the opinion polls showing the Tories moving well ahead of the other parties during the crisis, MPs have wondered, for the most part only half-seriously—whether Mrs Thatcher would try to repeat the Tories' success at the local elections in a General Election.

But her advisers are firmly of the opinion that such a move would rebound dangerously on her, and make a mockery of her claim to have the nation's best interests at heart.

It would be at odds with the party's off-repeated message that it will take at least two full terms for the Conservative Government to achieve all its objectives.

It has been pointed out that the record of elections fought on single issues, like the

miners' strike in 1974, is hardly such as to encourage Mrs Thatcher to follow suit.

Yesterday, speaking on BBC Radio 4, Mr Parkinson said that with two years of his term still to go, the Government had "many things" still left to do. He believed that it would see "its office through."

It is acknowledged that the Falklands crisis has given the Tories a tremendous boost which looks like providing success not only in this week's by-election in the traditionally safe Tory seat of Beaconsfield, but also in next week's poll in the marginal South West London seat of Mitcham.

The Government is acutely aware that support could evaporate quickly if there are heavy casualties, but so far neither the Labour Party nor the SDP Liberal Alliance has found a way of dealing with the Tory by-election appeal to "vote Conservative and back your Government."

The Liberals, who two months ago thought they might just scrape home at Beaconsfield, have found the electorate un-

Crucial EEC meeting as UK considers reprisals

BY JOHN WYLES IN BRUSSELS

THE BRITISH Government seems likely to give in to growing domestic pressure and be ready to take reprisals against its EEC partners if they fail at a crucial meeting in Brussels today to repair some of the political damage caused by the majority vote on farm prices last week.

Senior Community Ministers have avoided publicly discussing the crisis sparked by the vote over-ruling Britain's opposition to farm price rises for fear of prejudicing the attempt that Mr Francis Pym, Foreign Secretary, will make to salvage the situation today. He is expected to urge his fellow Community Foreign Ministers:

- To consider renewing sanctions against Argentina which expire at midnight tonight;
- To make the necessary concessions leading to a speedy agreement to reduce Britain's payments to the EEC budget this year;
- To assure the UK that its use of the national veto on EEC decision-making will not again be overridden.

If other EEC governments remain generally inflexible, particularly over the budget problem, London is reluctantly concluding that it may have to go on the offensive later this week, probably by threatening to withhold part of our payments to the EEC budget.

But this could harden attitudes in Paris and Bonn. There

are fears in Brussels that neither government wishes to duck a confrontation which would present France with the opportunity to put pressure on Britain towards a changed UK role in the EEC, as floated by President Mitterrand last week.

The Foreign Office would not confirm yesterday that Mr Pym will be seeking a continuation of the EEC ban on Argentine imports which was renewed for seven days last Monday. But other governments expect to be asked to renew sanctions, despite Britain's counter-invasion of the Falkland Islands. It is likely that the same seven governments currently banning Argentine imports would continue the ban while Italy and Ireland would confirm their non-participation.

Ministers, however, may agree that this split is politically too damaging to be continued and that the Community should drop the measures.

More generally, today's discussion of the British budget problem should give clear indications about whether other governments want to reconcile the UK following their victory on farm prices. Britain is indicating that it needs a special rebate this year of £564m compared with the £450m the other nine have been offering on a take-it-or-leave-it basis.

As in the past on this issue, the West German response

could be the key, and there are signs that Herr Hans Dietrich Genscher, the West German Minister, may try to buy time by pleading that he needs a Cabinet decision before he can agree to an increase on the existing offer.

Mr Pym may face further disappointment in his quest for reassurance that the British veto will not again be overridden on issues where London says important national interests are at stake.

Feelings at Westminster are running high on this question, particularly because of fears that at the end of the year the other nine could impose a common fisheries policy giving them access to Britain's inshore fishing grounds.

Denmark and Greece are as keen as the UK to re-establish the Luxembourg Compromise of 1966 which requires unanimous decisions when governments request them. Other member states, however, want more opportunities for majority decisions.

Mr Pym is unlikely to win any firm undertaking today and he may be urged to deal with the problem through discussions and agreement on Italo-German proposals for a draft European Act. These would preserve the national veto while attempting to prevent the abuses of the past which have blocked agreements on a host of minor issues.

Editorial Comment, Page 14

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THE FALKLANDS CRISIS

Bridget Bloom, our Defence Correspondent, examines the two main options facing the task force Tightening the screw on Stanley or a rapid advance



Countdown: Argentina's Foreign Minister at the Security Council.

More support at UN claimed by Argentina

BY PAUL BETTS IN NEW YORK

SR NICANOR COSTA MENDEZ, the Argentine Foreign Minister, said yesterday his country was not involved in negotiations to end the war in the South Atlantic. Before attending a rare Sunday session of the United Nations Security Council, the Minister said his country was only "speaking" within the UN framework.

"We have not come here to seek any resolution. We have come here to denounce Britain," he said, claiming his country had the wide support of other Latin American nations, the Soviet Union and Poland.

The third day of the debate at the Security Council opened yesterday with a French delegate, M. Luc de la Barre de Nanteuil, calling for every possible effort to end the fighting to be made urgently. France, he said, supported the peace efforts of Sr Javier Perez de Cuellar, the UN Secretary-General, who abandoned them on Thursday night.

The French Ambassador asked the Security Council to give the Secretary-General "the wholehearted support he needs." But he added that the initial responsibility for the conflict belonged to Argentina, the country which first used force.

Many Latin American countries, as expected, have rallied to Argentina's support in the debate, while the Soviet Union has called for an immediate cease-fire and that the Secretary-General be given a formal mandate to renew his peace efforts.

The debate has inevitably turned into a highly rhetorical and acrimonious forum—with the two sides in the conflict accusing each other—and is expected to drag on.

THE BRITISH task force which landed on East Falkland on Friday, now has two basic options: ● They can either plan for a phased operation, where they pick off small units of Argentine troops and continue to tighten the screw on the two main garrisons at Port Darwin and Port Stanley, maintaining the isolation of West Falkland. ● They can move as rapidly as possible to surround and confront the two concentrations on the East island.

The aim in both cases would be to bring about the surrender of the estimated 9,000-strong Argentines on the Falklands and gain total repossession of them for Britain.

From available information—and as in the military build-up and engagements so far, information is being very carefully controlled by the Ministry of Defence—the second course is the most likely.

"We are going to move—and move fast," Adm Sir Terence Lewin, Chief of Defence Staff, said on Saturday as he declared that the landings had achieved their aim and that "despite the likelihood that the next days will also be difficult," the confidence of the task force was high.

Sir Terence's sentiments were echoed by Mr. Cecil Parkinson, Paymaster-General, and a member of the inner War Cabinet yesterday. "We do not intend that this should be a

long and bloody war," Mr Parkinson said.

The advantage in a longer, slower campaign are said to be that a gradual tightening of the military screw would further undermine the morale of the Argentines on the island and make it more likely that the main garrison at Stanley would surrender without a fight, thus saving Argentine and British military and civilian lives.

The disadvantage in this is that such a gradual approach would give the Argentine air force the breather it needs.

Despite heavy losses—probably 30 aircraft since the campaign began—Argentina can probably still muster three times as many fighter bombers as Britain has Harrier jump jets.

There are several other reasons why the task force will probably move quickly. The force—which appears considerably larger than was at first thought—is now ready and waiting, and well supplied.

There are an extra 3,000 troops on the QE2 believed to be less than a day's sailing from a possible landing. Further waiting could cause supply problems for the British garrison ashore. It is also worth noting that the marines and para-troops in the task force are not garrison troops; they are trained to be mobile and move very fast.

There is in addition a key

Buenos Aires newspapers have painted a picture of victory for Argentine forces in fighting against British landing parties on the Falkland Islands, AP reports from Buenos Aires.

"Heavy enemy losses in yesterday's fighting," said the front page headline in the daily La Nacion. "Great

reverse for the invader in the first battle," said the mass circulation Cronica. "Victory," said the tabloid Diario Populax.

The tabloid Conviccion, which often reflects opinions of the Argentine navy, said: "The first day of invasion has cost Great Britain nearly 300 dead and approximately \$1bn."

political reason why the government wants action now. To wait would give the Argentines time to mobilise. International opinion in favour of a ceasefire before Britain has gained its military objectives.

It seems quite clear now that Mrs Thatcher and her government would prefer any negotiations which might take place in the future, to do so when the Union Jack flies over Port Stanley as well as over Port San Carlos.

But if, as seems probable, Rear-Admiral John Woodward will have orders to move quickly, what will be the key elements which he must take into account?

The first task will obviously be to establish precisely where the Argentines are (here, the Special Services—the SBS and the SAS—have clearly been busy) and how to neutralise them.

It seems clear that Darwin, on the narrow isthmus in the middle of East Falkland, must be a prime target, though it is far from clear whether an attempt would be made to attack the estimated 1,000 troops there, or to isolate them.

This will partly depend on whether Britain wants to use the airstrip at Darwin rather than just deny its use to the Argentine garrison, and also on whether the task force decides to use Darwin as a main base for an attack on Stanley.

Land communications are appallingly difficult in the Falklands, but there is at least an uncertain track from Darwin to Stanley.

There is very little chance of movement by land from Port San Carlos to Stanley, at the end of the barrier of hills, which includes the aptly named No-Man's Land.

be that of surprise and some strategists yesterday were suggesting that Admiral Woodward might well decide to re-embark many of the men from Port San Carlos and move them round by sea to a suitable landing place near Darwin or Stanley.

Whatever happens, it is likely that when an attack or a landing comes, the force will attempt to maximise its forces at the point of attack as it did last Friday, and that it will vary its weapons used—air and sea bombardment, possibly with some land-based artillery—to secure maximum harassment of the Argentine garrisons.

A third key element will be mobility—the use of helicopters will be particularly important in transporting troops if the base of San Carlos is to be used.

Finally, there is the weather, highly unpredictable but favourable to the British task force landings if it is cloudy or misty rather than—as it apparently was last Friday—clear with moonlit skies.

The right combination of weather could also make flying difficult for Argentine, using its mainland bases, but still possible for Sea Harriers bent on harassment, troop positions or denying the use of airstrips.

What are the main dangers in these "next difficult few days"? Further air attacks from Argentina are expected, either on the new base at San Carlos, or on the task force fleet.

Apart from the weather, and the actual operational state of Argentina's fighters, much could depend on whether Britain's new surface-to-air Rapier missile system, believed to have been taken ashore at San Carlos, proves effective.

Most of the fleet is said to have withdrawn east of the islands and "out of range of shore-based aircraft." But the lucky escape of several ships on Friday was described as "horrible" in its implications by one former Chief of Air Staff yesterday.

Reportedly with the task force described as "at risk" after an attack "failed to hit the troop-carrying liner Canberra, which was hit by bombs which failed to go off (and have apparently since been defused).

So far, the task force has lost seven Sea King helicopters and two smaller Gazelles, while it seems that four Sea Harriers have been lost.

Both helicopters and Harriers will be vital in the days to come. The attrition rate will be watched very closely by the task force commanders.

Finally, though they do not yet appear to have been very active, Argentina's three remaining operational submarines must be a constant worry to Adm Woodward, whose absolutely critical task must be to guarantee the safety of his two aircraft carriers.

Buenos Aires military acknowledges 'slow arduous task'

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

AS THE battle for the Falkland Islands continued over the weekend, the Argentine military was acknowledging that its infantry's task would be "slow and arduous."

The soldiers were being supported by 82mm mortars and 105mm field guns, while the air force said it used one squadron of Douglas A-4 Skyhawks and two squadrons of Mirage V Daggers to harass British troops.

A squadron of Mirage III Interceptors, meanwhile, stood off to tackle any RAF Sea Harriers which sought to intervene. Pucara counter-insurgency aircraft were also used.

The aircraft were based on the mainland and the island, and the tactics were said to be for the attacking aircraft to fly as low as possible to minimise

radar detection—although that was risk because of the hills near the British beachhead.

While the Argentines reject British claims that 20 Argentine aircraft were destroyed during the landing, they admitted that their air tactics could bring losses.

British superiority in radar had obliged Argentine pilots to fly close to sea level. One pilot of a Canberra bomber was quoted as saying, "the difficulty is that this means windscreens get covered with sea-water and the build-up of salt impairs our visibility."

On Saturday, Gen. Leopoldo Galtieri, the Argentine president, in a low-key but emotional speech, paid tribute to the air and ground crews of the Argentine air force. He said they were flying aircraft

"most of which are two decades old," and he claimed that the British had suffered considerable losses which they would find difficult to make up.

The Argentine military was yesterday countering claims that runways for aircraft were being constructed at the British beachhead, saying that the ground was too boggy to support them.

On the diplomatic front, the tactic of the junta is still to support any calls for a cease-fire. Gen Galtieri issued a statement yesterday, accepting the Pope's call for an end to hostilities. He said Britain was seeking to return to a colonialist situation.

Argentina also sees an advantage to be gained by airing its case in the UN Security Council and the General Assembly, but

is resigned to the eventual use of a British veto against any resolution not acceptable to London. Argentine diplomats are trying to neutralise U.S. support for Britain, or at least to prevent the supplies of U.S. material to British forces.

Buenos Aires has been attempting to capitalise on the long-cherished hopes of many in the State Department and Pentagon for an active anti-communist alliance between the U.S. and various Latin American governments, and for the realisation of long-term plans for a military pact to embrace allies of the Reagan administration on both sides of the South Atlantic.

Such plans, Argentina argues, will come to nothing if Washington continues to support Britain. Consequently Argentina is busy mending its fences with Latin American capitals and trying to

play down its traditional policies of indifference to its neighbours.

The release by the junta on Friday of the Peronist opposition leader, Sr Abel Medina—who had been in asylum in the Mexican embassy in Buenos Aires since March 1976—is seen as an indication of Argentina's desire to reinforce links with Mexico, which has been pressing for his release.

There are still powerful government voices for closer relations with the Soviet Union, if these would allow Argentina to retain the Falklands. But there is no hiding the fact that Buenos Aires is alarmed at the unwillingness of Moscow to continue its grain purchases from Argentina at a time when the latter has sold only about half its exportable grain surplus of 12m tonnes and is desperate for foreign exchange.

Tass returns to attack on Britain

THE SOVIET UNION yesterday renewed its propaganda attacks on Britain over the Falklands conflict and said that the U.S. shared major blame for the fighting, AP reports from Moscow.

Recounting the British landings on the islands and the breakdown of talks to avoid war, the Soviet news agency, Tass, said:

"The responsibility for all this is also borne by those states, above all the U.S., which associated themselves with the British stand, which openly let the British stand with London and thereby encouraged it to seek a military solution."

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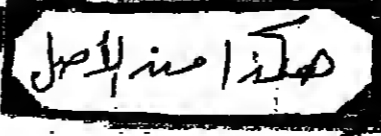
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Pope calls on both sides to make peace

By James Buxton in Rome

THE POPE has sent telegrams to both sides calling for an immediate halt to the fighting, and appears to be leaving as late as possible the decision on whether or not to go ahead with his visit to Britain, due to start on Friday.

The official Italian reaction to the British landings on the Falkland Islands has been to reiterate its calls for a cease-fire, and President Sandro Pertini has sent a personal appeal to Sr Javier Perez de Cuellar, Secretary-General of the UN, to press on with his peace-making efforts.

But the stance adopted by Sig. Giovanni Spadolini's Government, and by Sig. Emilio Colombo, the Foreign Minister, stressing the UN resolution that calls for Argentine withdrawal, indicated serious dissent within the Government on the issue.

Pope John Paul II made another emotional appeal for peace and a halt to bloodshed in St Peter's Square yesterday. On Saturday he sent telegrams to Mrs Margaret Thatcher and President Leopoldo Galtieri, the Argentine President, calling for an immediate cessation of hostilities.

It would clearly undermine these appeals for peace were he to cancel at this stage his visit to Britain. On Saturday, he indicated that the decision whether or not to go ahead with his visit depended on his hosts, the Catholic bishops of England, Scotland and Wales. He said he could only postpone his visit, not cancel it.

He has told Argentine diplomats, who yesterday took part in a Papal Mass with their British counterparts, that he would be prepared to visit Argentina soon.

Sig Bettino Craxi, leader of the Socialist Party, said that Britain's actions "were exposing the entire west to very serious risks." Sig Flaminio Piccoli, chairman of the Christian Democrat Party, described the British resort to force as "an error." But two other parties in the ruling coalition have taken a conspicuously anti-Argentine line.

There seems no chance that Italy would re-impose the EEC trade sanctions against Argentina which, last week, under pressure from the Socialists and Christian Democrats, it decided not to renew. EEC Foreign Ministers were due to meet today to decide whether sanctions should be sustained beyond midnight.

Italian Press coverage of British landings has emphasised British losses, but also acknowledged British military effectiveness.

TIMETABLE OF THE LANDINGS

British troops strengthen foothold

AN ESTIMATED 5,000 British soldiers yesterday consolidated their foothold following Friday's landings in the San Carlos area of East Falkland.

As they dug in the following picture has emerged of the preparations and the assault Robert Hutchison, Defence Correspondent of the Press Association, writes:

Britain's battle fleet commanders feared that Argentine troops knew exactly where their amphibious landings were going to be staged three days before the Falklands "D-Day."

On Wednesday, small parties of Argentine soldiers were moved into defensive positions in the Port San Carlos area, selected as the assault site two weeks ago.

But Admiral Saady Woodward, the Task Force commander, and the amphibious landings chief, Brig Julian Thompson, decided not to attack these positions, to avoid the risk of mines and booby traps being laid in the area later by the occupation forces.

The time-table for the landings went as follows:

Wednesday: Troops move to assault ships to prepare for the landings. A Sea King helicopter carrying 27 SAS soldiers is lost in an accident as they transfer

from one ship to another. Nine men are rescued but 19, plus a marine and a pilot, are lost.

Diversionary attacks are begun by special forces to the southern portion of East Falkland and on the west island, with the aim of misleading the Argentines about the location of the invasion.

British warships hoistard Mare Harbour in the south of West Falkland. The bombardment carries on throughout the night and into the next day.

Thursday: Sea Harrier and RAF Harrier strikes are mounted in the same general area. By last night, the amphibious task group moves in from the eastern edge of the 200-mile total exclusion zone around the islands.

At midnight, as the strips turn into Falkland Sound, parties of Royal Marine Commandos, landed previously, move in to attack Argentine positions in the San Carlos area.

Friday 12.30 am: A frigate puts down concentrated gunfire at Fanning Head, with "devastating and telling effects" on a position held by between 30 and 40 Argentine soldiers.

As the barrage hits, Royal Marines storm in. A fire-fight follows, but the British effect the Argentines, who flee north.

Nine prisoners are left in British hands.

In a second attack, in the Goose Green and Darwin area further south where 1,500 Argentines are based, Royal Marines shoot down a Pucara light aircraft and blast several fuel and ammunition dumps.

Friday 2 am: Three simultaneous landings by Royal Marines and Paratroops on two beaches at San Carlos settlement and Ajax Bay, are met by reconnaissance troops, previously landed, to guide them to their objectives.

These assaults are unopposed and the troops, armed with Blowpipe shoulder-fired anti-aircraft missiles, move up onto high ground and dig into defensive positions.

A weak Argentine company position is overrun at Port San Carlos settlement and they flee eastwards, but not before they shoot down two Navy Gazelle reconnaissance helicopters with their own British-made Blowpipe missiles.

The two British forces link up with those at Fanning Head. Friday 7 am. Amphibious forces continue to be ferried in by landing craft.

Friday 10 am. The first of at least three waves of Argentine fighter bomber attacks are

mounted from mainland bases at Rio Gallegos and Ushuaia.

The first strike, after fighting through combat air patrols mounted by Sea Harriers from the carriers Invincible and Hermes 100 miles to the north, hits the frigates and destroyers patrolling Falkland Sound.

Twelve high-performance jets, Mirage Daguers and Skyhawks, crash into the sea.

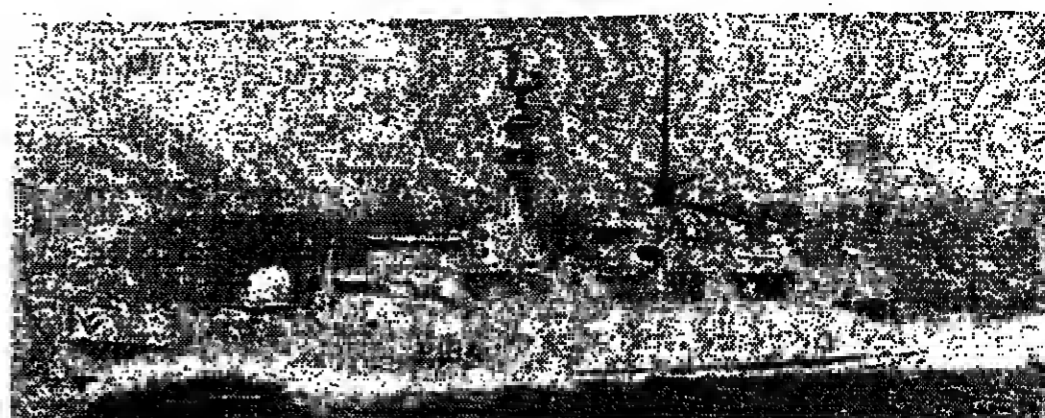
Bombs are dropped all around the amphibious ships in Port San Carlos but the attackers have little time to coordinate their attacks.

In Falkland Sound, some fire-to-10 miles wide at this point, the attackers have more space to manoeuvre and come in fast at low-level.

The Type 21 Frigate HMS Ardent is hit by two Italian-built Aermachi MB339 jets based in the Falklands, and burns furiously. A Leander class frigate is also bombed and seriously damaged. A destroyer takes a 1,000 lb bomb through her engine room, but it fails to explode.

Two other frigates are damaged but they are still operational and continue to fire salvo after salvo of missiles.

The air attacks continue throughout the day with some 40 sorties mounted by Argen-



HMS Ardent, which was attacked and sunk by Argentine jets. Twenty-two men were killed in the attack, and another 30 were injured.

time aircraft, involving between 25 and 30 aircraft. Some jets return to their bases on the mainland to refuel and re-arm and return in the second and third waves.

Four Skyhawks heading for base are chased by the two Sea Harriers which fire their Sidewinder missiles and bring down two.

The Canberra and the other merchant ships in the Sound seem to be special targets, but all escape damage. Two raiders are blasted by Sea Wolf close-range missiles.

A Mirage falls into Port Carlos water, its wings laden with 500lb bombs.

Royal Marines still in position on Fanning Head open fire with their 7.62 mm machine gun. An engine of one attacker

catches fire, and the aircraft plunges into the mountainside.

As Scorpions tanks from the Blues and Royals head inland to protect the seven-by-one-and-a-half-mile beach head, RAF G3 Harriers strike at targets at Two Sister's, west of Stanley.

They destroy two helicopters—a Chinook and a Puma—on the ground. But one Harrier is apparently shot down.

By the end of the day, the Argentines have lost nine Mirage Dagger jets, five Skyhawks, two Pucara ground attack turbo-prop aircraft and four helicopters.

First British reports indicate there are three dead, two missing and 27 wounded in the landing and 20 missing and 30 injured in the attack on the Ardent.

There are no further details of casualties in the rest of the fleet.

Friday evening: HMS Ardent sinks after a long fight to contain fires. Throughout the night, the merchant ships and the larger amphibious units are pulled back eastward out of range of expected attack, their task completed.

Saturday: The predicted massive air attack does not materialise at dawn.

More and more equipment is ferried into the beachhead: 105 mm howitzers are flown in, slung beneath helicopters, and Rapier anti-aircraft missile batteries are set up hidden among the hills.

The British policy now is to entice the Argentines out of Port Stanley, where they have fortified many of the houses.

U.S. closely watches Harrier performance

WASHINGTON — The performance of Britain's Harrier aircraft in the Falklands fighting is being closely noted by the United States, which plans to buy 340 advanced models of the jump-jets for its Marine Corps.

The corps already has some of an older type of Harrier. Terms were agreed last August for Anglo-U.S. manufacture of the new model, the first of which will be delivered next year.

But the U.S. Navy remains opposed to purchase of the aircraft for its carrier fleet, saying the Harrier's range is too short and its bomb-load too small.

During the 1970s, the Marines bought 110 of the Harriers, which can take off and land vertically. By February 1978, 23 of these had crashed. The Marines said most of the crashes were caused by pilot error.

Washington's 'mistake'

ARGENTINA'S Foreign Minister, Sr Nicaor Costa Mendez, has said that the U.S. made a big mistake in its approach to the Falklands crisis and will pay for it for a long time, AP reports from Paris.

Sr Costa Mendez, in an interview with Figaro Magazine, said the U.S. and Britain wanted to maintain the international

status quo, and anything that disrupts that, provokes from them a political reaction that goes beyond any question of sovereignty.

"I think the North Americans have committed a grave error that they are in the process of paying for it, and that they will pay for it for many years," Sr Costa Mendez went on.

Shipowners seeking higher insurance

BY ANDREW FISHER, SHIPPING CORRESPONDENT

BRITISH companies with vessels requisitioned to accompany the Falklands task force want the Government to agree to higher insurance values in case of war damage or destruction.

Talks by the companies, with P & O a major participant, are continuing with the Department of Trade on how compensation would be paid if ships suffered from hostilities.

So far, the Government has paid just over £30m in requisition, charter, and other costs to

owners. About 50 ships have been called up during the crisis, though some have been returned. P & O's Canberra took a key role in Friday's landing.

The Canberra is P & O's cruise flagship. Its insured value was £10m, but P & O has since put this up to around £35m.

That is equivalent to the cost of a second-hand replacement, if necessary. To build a new ship of the same type would cost around £150m. The older

Uganda, now a hospital ship, has had its insurance value lifted from £3.5m to some £20m.

If these ships are destroyed by storms or rocks, P & O's increased insurance would cover the cost. But enemy damage would have to be met by the Government under the 1952 Marine and Aviation (War Risks) Act.

Officials are studying this to see how it would be applied. The question of vessels' insurance values and which department would have to foot

compensation bills is still under discussion.

P & O said its ships were insured for the lower sums before the crisis because they would not have been sent into risk areas while on cruises.

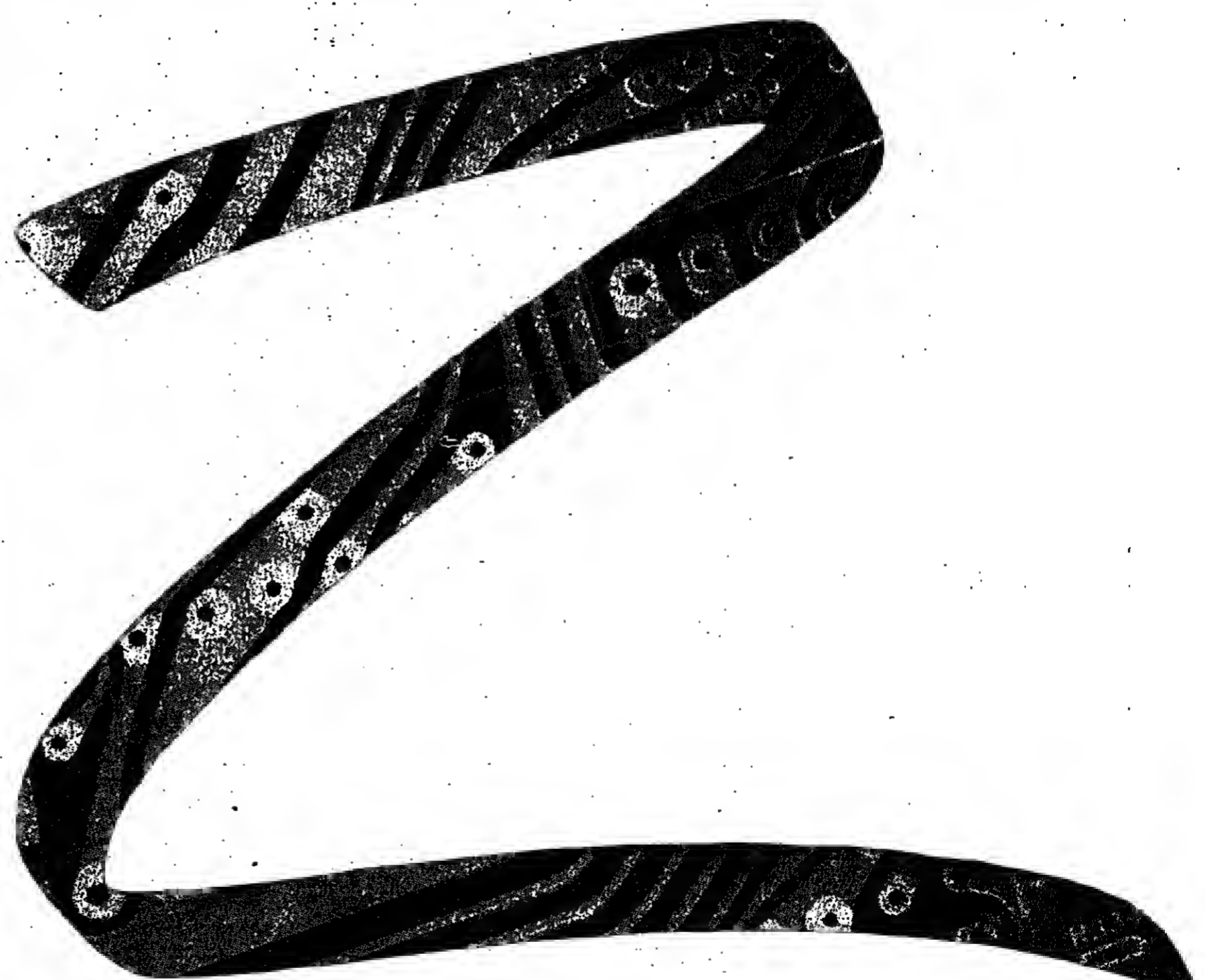
The Government has argued that a more realistic valuation for the Canberra would lie not far above the original insured sum. Cunard's QE2, too on its way to the islands, also features in the discussions with companies.

U.S. embassy numbers cut

The U.S. is sharply reducing the number of officials and dependants at its embassy in Buenos Aires because of tensions with Argentina over the Falkland Islands war, AP reports from Washington.

The State Department said the temporary removal of certain "non-essential" personnel began several weeks ago.

At the beginning of the month there were 79 U.S. staff members at the embassy and about 100 employees.



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Z is for ZANUSSI

Advertisement for Banque Internationale Pour l'Afrique Occidentale, featuring floating rate notes for 1982-1988. The ad lists various international banks and their branches, including the Banque Nationale de Paris, Citicredit, and others.

Advertisement for Zanussi electronics, featuring the slogan 'WINNING GHOST spells SUCCESS' and the Zanussi logo.

OVERSEAS NEWS

House joins battle over U.S. budget proposals

BY ANATOLE KALETEKY IN WASHINGTON

THE U.S. Senate passed a budget resolution late on Friday calling for a record deficit of \$116bn (£63.7bn) in 1983.



Mr Reagan: an urgent bid for support

The House will join battle this week on no less than seven different budget proposals and nearly 70 substantive amendments.

Democrats and wavering Republicans. Meanwhile, the Democratic Party establishment, led by Mr Tip O'Neill, the Speaker of the House, has launched an all-out attack on Mr Reagan and the Republican Party, insisting

that their plan will hit especially hard the elderly, who are now regarded as a particularly powerful special-interest group in Washington.

The House Republican budget plan differs from the resolution approved in the Senate in that it calls for \$23bn in cuts over three years in Medicare, the medical assistance programme, for the elderly. This has enabled the House Republicans to show a deficit of less than \$110bn for 1983.

The conservative Democrats who support the plan said that they would not back a budget with a greater deficit. But many Republican Congressmen may find it impossible to vote for a plan to cut Medicare in an election year.

Weinberger 'lip service' attacked by Begin

By David Lemson in Tel Aviv

ISRAEL'S Prime Minister, Mr Menachem Begin, yesterday accused Mr Caspar Weinberger, the U.S. Secretary of Defence, of only paying lip service to the maintenance of Israel's military edge in the Middle East while at the same time said Mr Begin, he was advocating the sale of sophisticated weapons to Jordan which would use them against Israel.

The Prime Minister's statement, which was approved by the Cabinet, is part of a concerted campaign being launched by Israel to try to block U.S. plans to sell more aircraft and missiles to Jordan. Crown Prince Hassan of Jordan is due in Washington this week for continued arms talks.

The Israeli Defence Minister, Mr Ariel Sharon, who is also on a visit to the U.S., is expected to raise the Jordan arms sales with Mr Weinberger during their planned meeting in Washington. In the meantime, he has been speaking at private gatherings and giving interviews about Israel's fears over the supply of more arms to Jordan.

In yesterday's statement, Mr Begin accused Mr Weinberger of having made a misleading statement when he said recently that Jordan needed the weapons because it feared being squeezed between Syria and Iraq. Mr Begin pointed out that Iraq is not a neighbour of Jordan.

"The reason which moves Jordan to ask for modern weapons from the U.S. is neither Syria nor Iraq but rather Israel," Mr Begin said.

He added: "It is true that lip service has again been paid to ensuring the so-called edge of Israel, but how can it be maintained if only one square mile separates Jordan, armed with the quickest, most sophisticated tools of war, from the centres of Jewish population?"

Arming Jordan and Iraq "creates a direct and present danger to the Jewish state and to peace," Mr Begin said.

MINISTERIAL MEETING OF OPEC

Unity jarred by Iran abrasiveness

BY RICHARD JOHNS IN QUITO

THE UNITY of the Organisation of Petroleum Exporting Countries has been badly United Arab Emirates policy and abrasive performance at the ministerial conference of the organisation in the Ecuadorian capital, senior delegates privately conceded as they dispersed at the weekend.

Public attempts to gloss over the sharp differences behind closed doors could not disguise the feeling that Iran has gravely undermined the producers' association at one of the most critical periods in its history.

Dissension between Iran and other members has clouded the satisfaction with the improvement of market prospects, not least as a result of the psychological impact of the agreement two months ago on a production programme, and with the recovery of Nigerian production to something like the minimum desired level of 1.5m barrels a day (b/d).

On this front, the ministerial monitoring committee—chaired by Dr Manaf al-Oraibi, the Minister—is to meet again towards the end of June, and thereafter monthly. The 17.5m b/d ceiling on overall output and the production programme worked out in March will remain in force for the time being.

Particularly serious for the organisation's solidarity, was the verbal attack on Friday afternoon by Mr Mohammed Garazi, Iranian Oil Minister, on Sheikh Ahmed Zaki Yamani, his Saudi counterpart, who left the conference chamber prematurely in protest.

Delegates were also shocked by fierce Iranian personal criticism—to do with the proposed Institute for Energy Studies, to be based at Oxford and financed by Opec—on Dr Fadhl al-Chalabi, assistant Secretary-General of Opec, and on Dr Robert Mabro of St Anthony's College, who was largely responsible for the plan.

In the event, it proved impossible to fulfil the wish of all other members, except Iraq, that the contentious issue of Iran's rate of production and its price-discounting should be ignored, if possible. The Iranian Minister was uncompromising in saying openly that Iran's output was running at a rate of 2m b/d, compared with the allocation of 1.2m b/d given to it at the extraordinary ministerial conference in Vienna just over two months ago.

Most senior delegates reckoned the actual Iranian level to be more like 1.8m b/d. The doubts were evidently the reason for the spread of 16.5m to 18.5m b/d given by Dr Manaf Nguema, Opec's Secretary-General, for collective output.

The fact that this was below the ceiling of 17.5m b/d accounted for by the drop in Saudi output to rather less than 6.5m b/d, compared with the Kingdom's self-imposed limit of 7m b/d, and by the enforced loss to Iraq of 500,000 b/d capacity as the result of Syria's decision to stop exports through the pipeline system to Mediterranean terminals which crosses its territory. Also, Libyan production is believed to be substantially less than its quota of 750,000 b/d.

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Mrs Gandhi in trouble after state polls

BY K. K. SHARMA IN NEW DELHI

A PERIOD of political instability is likely in the Indian states of Haryana, Himachal Pradesh and Kerala after Mrs Indira Gandhi's Congress (I) party emerged from the May 19 elections with only absolute majorities.

In Haryana, in the north, the Congress (I) party has been asked to form the state government, and Mrs Gandhi's nominee, Mr Brij Lal, has been sworn in as chief minister.

In the hill state of Himachal Pradesh, the Congress (I) emerged as the single largest party and is expected to seek to form the government there also.

In the southern state of Kerala, the coalition led by the Congress (I) won a tenuous majority over a Marxist-led left-wing front.

A ministry led by Congress (I) is expected to be sworn in today, but is unlikely to be stable because of the faltering support of some of its partners.

Only in West Bengal, where the Marxist-led combination of left-wing parties won a two-thirds majority, does a stable government seem certain.

The Marxists are assured of a safe, second five-year spell of power in West Bengal, the only state with a decisive result from the elections in four Indian states last week.

Although Mrs Gandhi's Congress (I) has the advantage of being the largest single party

in both Haryana and Himachal Pradesh, it is expected to form governments in the two states on the basis that it should get the first chance to demonstrate majority support, in the legislatures with the help of a large number of independents.

This will lead to uncertainty and to horse-trading as the Congress (I) and its opponents try to win the support of independents.

If Congress (I) governments in Haryana and Himachal fail to achieve majorities in about a month, when the first sessions of their legislatures are held, it is likely that President's rule (government from New Delhi) will be imposed and fresh elections held. The same could be the case in Kerala, although the process is expected to take longer there.

Mrs Gandhi's Congress (I) also lost four of the seven parliamentary by-elections held. Added to the debilitation of the party's strength in Haryana and Himachal Pradesh, the Prime Minister has suffered a big setback in what was the first major test of her popularity since she returned to power in New Delhi in January, 1980.

There is no immediate threat to her position as Prime Minister since her party has a two-thirds majority in parliament and general elections are not due until 1985.

Zimbabwe to end dual citizenship

BY TONY HAWKINS IN HARARE

A BILL to remove the provision of the Lancaster House constitution for Zimbabwe which allows for dual citizenship and passports is to be presented to Parliament in Harare next month.

The draft Bill was published on Friday. As long ago as 1980, when the Lancaster House constitution was less than a year old, the then Minister of Home Affairs, Mr Joshua Nkomo, promised repeal of the provision which the Nationalist parties had opposed during the independence negotiations.

There is no official figure for the number of Zimbabweans holding British or South African passports and citizenship, but one estimate suggests that there are at least 80,000 British passport holders and more than 20,000 South African passport holders.

There is concern in business circles that the repeal of the dual citizen provision will add to the pressures making for high levels of emigration of skilled and experienced whites.

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Shia Moslems found guilty in Bahrain

By Mary Frings in Bahrain

SEVENTY-three young Shia Moslems have been found guilty in Bahrain of complicity in last December's abortive coup. But the three high court judges led by Sheikh Khalifa bin-Mohammed Al-Khalifa, a member of the state's ruling family, rejected the prosecution's demand for the death penalty and handed out sentences ranging from life imprisonment to seven years.

Child deaths inquiry

BY OUR OTTAWA CORRESPONDENT

CANADA'S MEDICAL establishment has been shaken and the fate of Toronto's 107-year-old Hospital for Sick Children is in question after the disclosure that the deaths of 43 infants are being investigated by police.

The investigation was announced by Ontario's provincial Attorney-General, Mr Roy McMurtry, on May 21, after a judge dismissed murder charges concerning four of the deaths, all involving infants up to one-year-old.

Charges had been laid against a nurse who worked in the cardiac ward. She was

alleged to have administered fatal overdoses of a powerful heart stimulant, called digoxin, to the four infants.

At the preliminary hearing, evidence was introduced about 19 other "similar fact deaths" in which infants had died unexpectedly in the cardiac ward, over the nine-months between July 1980, and March 1981.

Judge David Vanek dismissed the charges, saying the evidence was circumstantial at best. He said that there was a possibility the deaths were continuing, although the method had changed and they were occurring in another ward.

Default 'would slash Polish exports'

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S annual exports to the West would fall to a value of \$3bn-\$3.5bn (£1.67bn-£1.9bn) if the West declares the country in default, a Polish economist, Prof. Mieczyslaw Naszowski, has predicted.

Prof. Naszowski is a member of the autonomous Consultative Economic Council, which advises the Government. He suggests that imports would stay at about the same level if Poland's assets abroad were

seized and trade had to be conducted through intermediaries.

The figures came in a recent lecture to the council, published in the current issue of the weekly magazine Polityka. This is the first figure given to the official Press for the effects on Poland's foreign trade of the country being declared in default.

Prof. Naszowski said: "If neither side declares Poland bankrupt... despite the current credit restraints, exports and imports are likely to reach a level of about \$5bn."

Meanwhile trade figures for the first four months of the year show a surplus of some \$52m (£287m), which has gone mainly on interest repayments due last year. Imports were worth \$1.15 bn (£639m), while exports to the end of April were worth \$1.675bn (£915m).

Also in a recent newspaper interview, Mr Tadeusz Nestorowicz, the Foreign Trade Minister, warned of the inflationary effects of a further devaluation of the Polish zloty, against Western currencies.

Industrial managers are pressing for a 50 to 60 per cent devaluation of the present exchange rate of 80 zloties to the U.S. dollar. Mr Nestorowicz pointed out, however, that 7 per cent of Poland's hard currency exports are sold at a profit.

Why Rolls-Royce flies ahead of the competition.



When Boeing launched its new 757 airliner, the first customers chose Rolls-Royce engines. Why? Because the RB211-535 engine was the best on offer. Already approved for airline service it is two years ahead of the nearest competitor.

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STAYING AHEAD IN THE RACE TO TOMORROW

Handwritten signature

WORLD TRADE NEWS

E. Europe's terms of trade with Soviet Union worsen

BY DAVID BUCHAN

EASTERN EUROPE'S terms of trade with the Soviet Union worsened by 6 per cent in 1981 and are likely to deteriorate by a further 6-7 per cent this year. The reason is that Soviet export prices are rising faster than those in the rest of Comecon, according to a new study by Wharton Economic Forecasting Associates (WEFA).

The report by the U.S.-based consultant group sheds additional light on a recent meeting of East European economists, who complained that deteriorating terms of trade with the Soviet Union were causing their countries "distinct harm" and slower growth.

The economists' criticism surfaced in a Prague publication, and it may be no coincidence that, according to WEFA calculations, Czechoslovakia, along with East Germany, has been affected most by decline in the terms of trade with the Soviet Union.

By the end of this year, export prices by the six East European members of Comecon will have risen 16.8 per cent since 1980, according to WEFA estimates.

But the prices of what they import from the Soviet Union will have risen 33 per cent. Taking 1980 as a base of 100, East Europe's terms of trade with the Soviet Union—the relation of export to import prices—dropped to 94 last year and to 87.3 this year.

But the Soviet Union, for various reasons, has not fully used this improvement in the terms of its trade with its allies. It is cutting the volume of its oil exports at preferential prices to some Comecon partners, and it has not accelerated shipment to Poland as fast as it earlier promised.

But it has not made a general cut in the volume of its shipments to Eastern Europe or required Eastern Europe to boost exports to the Soviet Union, perhaps for fear of placing too great an economic strain on their neighbours.

The result has been a marked increase in the Soviet trade surplus with Eastern Europe, from roubles 1.8bn (£1.38bn) in 1980 to a record roubles 3.1bn (£2.3bn) last year.

The new WEFA estimate is that, given a 6-7 per cent

deterioration in East European trade terms this year, the Soviet trade surplus could rise to roubles 4.5bn in 1982. At some time, the Soviet Union is likely to want this imbalance reversed.

Eastern Europe exports mainly machinery, equipment and industrial consumer goods to the Soviet Union, and imports mostly fuels and raw materials which, inside Comecon at least, have been rising relatively faster in price.

The Comecon country least affected by this trend has been Romania, a significant oil producer. Oil is a relatively small share in its imports from the Soviet Union.

Soviet energy is still cheap for Comecon partners. Last year, Soviet oil was 70 per cent below world market prices and gas about 50 per cent below world prices.

But this is changing quickly as the Soviet Union is adjusting its oil prices in line with the 1979-80 world market price surges. This year the Soviet Union is expected to charge its Comecon partners some 29 per cent more for their oil.

Japan-EEC trade talks end in stalemate

By Brj Khandaria in Geneva

BILATERAL TALKS between Japan and the European Community have ended inconclusively in Geneva, with the Community no closer to persuading Tokyo to take effective measures to cut the EEC's trade deficit with Japan.

The two-day meeting last week was attended by almost 20 officials from five Japanese Ministries, but the Community received no assurances that Tokyo intends to work hard towards boosting imports from the EEC.

The talks were part of a dispute settlement procedure invoked by the Community under Article 23 of the General Agreement on Tariffs and Trade (GATT). The article allows any GATT member to seek redress through negotiations if another members' policies impair the benefits it can rightfully expect by belonging to GATT.

The Community has asked Japan to take concrete measures to remove obstacles to the sale of European-made goods in Japan and to restrain its exports to the EEC.

The Japanese insisted that they were puzzled by the Community's demand, and they spent most of the two days in seeking clarifications.

Although unprecedented, the Community's complaint is being taken seriously by other GATT members who will closely watch developments in the dispute.

If there is no satisfactory compromise, the Community will be free to ask GATT's decision-making council to appoint an arbitration panel.

The Community argues that Japan is using unfair trading practices not only because it may subsidise or aggressively promote exports, but also because Japanese companies, and consumers, are reluctant to buy European goods.

Fraser firm on trade initiative

BY MICHAEL THOMPSON-NOEL IN SYDNEY

SIR PHILLIP LYNCH, Australia's Minister for Industry and Commerce, has denied that a Federal government investigation into higher levels of protection for the Australian steel industry flatly contradicts Prime Minister Malcolm Fraser's call for international trade liberalisation.

The Prime Minister, when he met U.S. President Ronald Reagan and the Canadian and Japanese Prime Ministers last week, outlined plans for a freeze on current levels of international trade protection, long-term dismantling of trade barriers and the abolition of export incentives.

At home, however, the Temporary Assistance Authority, as well as the Industrial Assistance Commission, are to examine

calls for temporary assistance against rising steel imports, notably from Japan.

The investigation follows determined lobbying by BHP, Australia's largest company, and its subsidiary, John Lysaght Australia.

Criticism of the decision has come from the Australian Independent Steel Association. An official said the investigation of BHP's request "hardly sits well with Mr Fraser's pleas for lowering the levels of protection."

The Japan Iron and Steel Exporters' Association said last week that moves further to cosset the Australian steel industry were a "deplorable development."

Ironically, Mr Fraser's initiative has found its most enthusi-

astic response in Tokyo. There he met the Japanese Prime Minister Mr Zenko Suzuki on Friday, and was told his proposals would be raised, in some form, at the Versailles Economic summit early next month.

Sir Phillip, formerly Deputy Leader of the ruling Australian Liberal Party, denied that the BHP reference went against the grain of Mr Fraser's trade initiative.

"The Prime Minister had not envisaged unilateral action by Australia in this matter," Sir Phillip said in Canberra.

"What was required was agreement by all the major parties concerned on the method and timing of implementation of the initiative put forward by the Prime Minister."

SHIPPING REPORT

Tanker rates rise slightly

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPOWNERS in the gloom-laden tanker market have been benefiting from the availability of cheaper crude oil from Iran which has pushed rates up slightly.

Despite problems of insurance and the risks of operating in the area, there has been no shortage of ships wanting to take on oil at Kharg Island.

Owners have managed to put pressure on charterers to shift rates up to Worldscale 25 for a 250,000-ton load from Kharg to Europe, noted Galbraith Wrightson. "But whether this revival will continue is not easy to forecast."

The London shipbroker noted that the amount of business concluded last week was quite large. Though rates were often disappointing, the number of vessels fixed from the Gulf and West Africa was further encouragement to owners who could have more cargoes from which to choose in the second half of 1982.

Major oil companies such as Shell, Exxon, Mobil, Elf and Gulf have all chartered vessels this month to Europe and North America. Gulf took two 100,000-ton cargoes at Worldscale 46.5 from West Africa to the U.S., while Shell and Exxon paid

Worldscale 77.5 for 65-70,000 tons from Nigeria to Europe.

Galbraith said oil companies now appeared to have settled any price differences there may have been with their West African suppliers.

The dry cargo market remained dull last week. Denholm Coates reported that grain rates from the U.S. Gulf to Continental Europe were steady, but coal to Europe and Japan eased further.

China had cut a couple of dollars off the U.S. Gulf/China rate levels at \$31 a ton, though the last business was done some weeks ago.

MEXICO'S NUCLEAR PROGRAMME

Big orders look elusive

BY WILLIAM CHISLETT IN MEXICO CITY

THE WORLD'S nuclear power industry has spent \$280m (£155m) chasing a contract in Mexico, and companies fear that their efforts may have been in vain.

Mexico's new austerity, brought about by falling oil revenue and high public spending, is raising doubts about the viability of the Government's plan to install 20,000 MW of nuclear power by the year 2000.

This is more than double the country's present electricity output and is the most ambitious scheme in the world.

Officially the timetable has not been changed, despite the straitened circumstances. Officials from the Industry Ministry and the Federal Electricity Commission (CFE) have been reassuring the seven companies competing for the \$600m contract in current terms that no changes are envisaged.

The Government still plans to award the contract in September for the first stage of the programme to install 2,300 MW at a cost of over \$2bn.

However, reservations about the plan are being expressed in private. "It would be economic suicide to go ahead now," said a Government official.

Mexico is wrestling with an unpopular stabilisation programme introduced after February's 30 per cent devaluation of the peso. High international interest rates have made Mexico's total external debt of \$70bn to \$80bn by the end of the year—a milestone around the country's neck.

This year's budget will be cut by 4.5 per cent.

There is also a greater realisation that Mexico's oil reserves, currently the world's fifth largest, are enormous and therefore there is no urgency to diversify energy sources.

The companies themselves and their allies in Mexico City's embassies prefer not to discuss the matter. If they do, it is only in hushed tones. Understand-

ably, nobody wants to rock the boat when the prize is so tantalising.

Atomic Energy of Canada, Asea-ATM (Sweden), Combustion Engineering, U.S. General Electric and Westinghouse, Framatome (France) and Kraftwerk Union (West Germany) each submitted one volume of specification documents and financing details in February at a cost of an estimated \$40m each. Each company had to submit seven copies of the tender.

Each company's tender, which is large enough to fill a modest sized garage, is under lock and key in the CFE. The technical side of the tenders is being examined at the moment and soon seals on the boxes containing the financing details will be broken.

Mexico is being courted vigorously. President Francois Mitterrand, King Gustav of Sweden, Prime Minister Pierre Trudeau and Mr George Bush, the U.S. Vice-President, have all come to Mexico to try to enhance their country's prospects. The companies have set up lavish offices in Mexico City and no expense is spared in entertaining officials.

"We don't mind if we do not win," said one outspoken diplomat, "although naturally we hope we do. What we will raise hell about is if Mexico cancels the programme. If this happens, the country will lose so much prestige abroad that no company will want to compete again if Mexico resurrects the plan."

Mexico faces three options. It can go ahead as originally planned. After all, by the time the contract is drawn up it will be 1984. Generous grace periods on the massive financing could be negotiated to ease the burden on the balance of payments.

Secondly, the programme could be scrapped, amidst an international furor.

Lastly, and probably most likely, the contract can be awarded to one or more companies and then the plan put on ice.

However, the winning company would expect a contract to be drawn up or at the very least a letter of intent.

Meanwhile there is a widespread feeling in the nuclear industry that Atomic Energy of Canada has the inside track.

World Economic Indicators

		UNEMPLOYMENT			
		Apr. '82	Mar. '82	Feb. '82	Apr. '81
UK	000's	3,007.7	2,972.3	3,044.9	2,525.2
	%	12.6	12.5	12.8	10.6
U.S.	000's	10,307.0	9,854.0	9,575.0	7,899.0
	%	9.4	9.0	8.8	7.3
W. Germany	000's	1,811.4	1,925.3	1,949.8	1,210.1
	%	6.9	7.4	7.5	4.6
France	000's	1,964.5	2,003.8	2,034.0	1,672.7
	%	8.7	8.8	9.0	7.3
Italy	000's	2,306.1	2,304.4	2,291.2	1,938.0
	%	10.4	10.3	10.3	8.7
Netherlands	000's	486.1	492.8	482.3	363.9
	%	9.3	9.5	9.4	6.6
Belgium	000's	523.7	529.7	538.3	424.9
	%	9.3	9.5	9.4	6.6
Japan	000's	1,310.0	1,190.0	1,210.0	1,230.0
	%	2.3	2.1	2.1	2.1

Source (except U.S. and Japan): Eurostat

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April 1982

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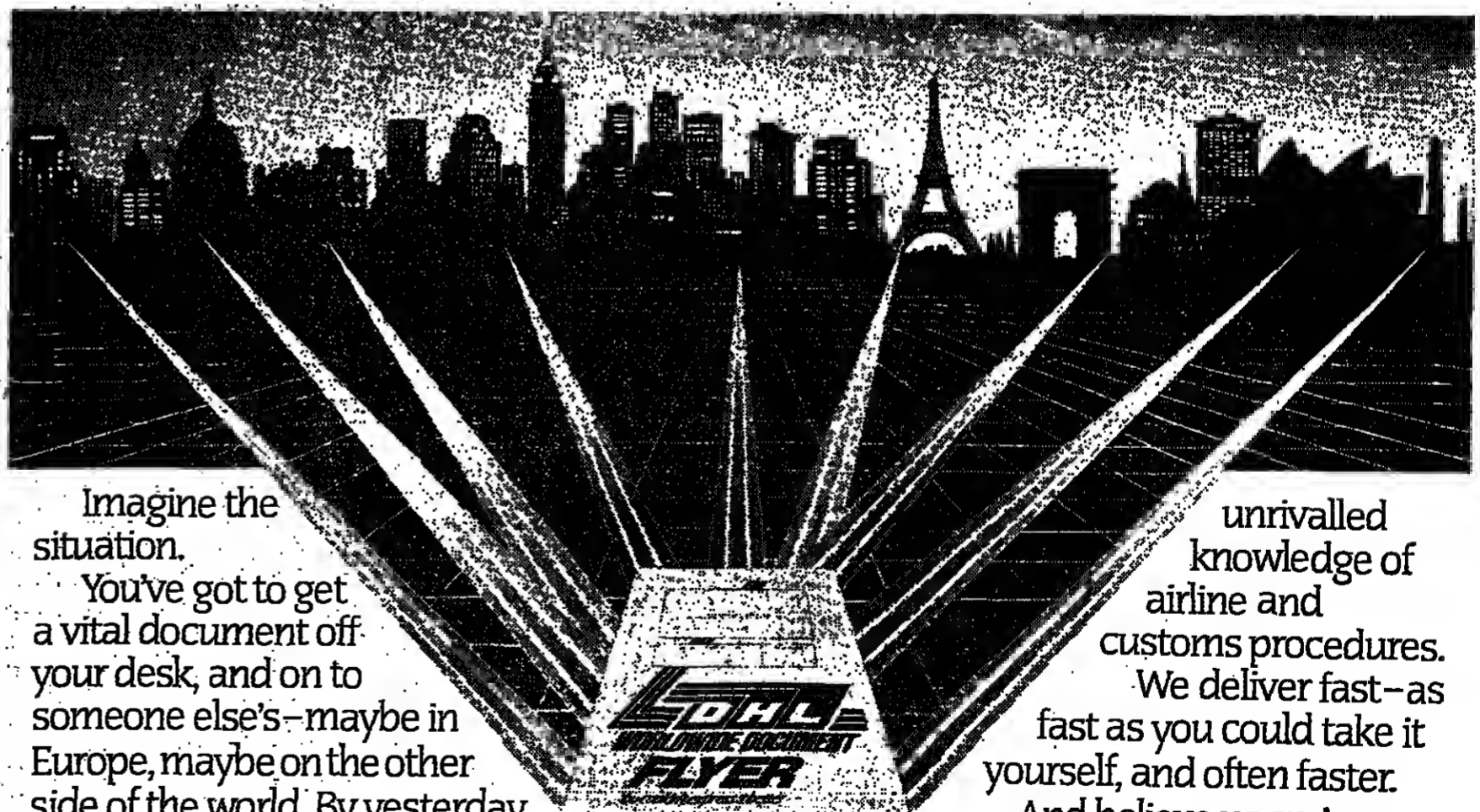
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UK NEWS

Jobless total 'likely to linger at 3m'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

UNEMPLOYMENT will remain at more than 3m until the end of the decade and the prospect of alternative policies greatly reducing the total are poor, says a Warwick University report, published today.

The report is by the university's institute for employment research, set up seven years ago with a grant from the Manpower Services Commission. The bleak outlook is based on an extremely detailed analysis of job prospects in 11 different regions and 49 types of employment.

Productivity

It suggests total output will grow at an average of little under 2 per cent a year until 1990. But since productivity will be increasing at about the same rate, a very small increase only in the number of jobs will result.

However, this increase will be no more than offset by the rising number of people available for work in the period. As a result, unemployment is expected to climb to a peak of 3.2m by 1983 and to remain at about that level until 1990.

Forecast

The forecast is based on the assumption that the next government will relax fiscal and monetary policies somewhat, but will not embark on a major U-turn.

However, the 147-page study also analyses the expected effects of three alternative

strategies. It concludes that the size of the "employment gap" is now so large that policies capable of more buoyant periods of making a substantial proportionate reduction in unemployment now offer relatively minor relief.

Even import controls and incomes policies, once advocated as universal panaceas, are not enough. Neither offers a credible strategy for halving unemployment by 1990.

The three alternative strategies analysed are:

● Abolition of National Insurance surcharge in 1986 and a 30 per cent cut in the exchange rate by 1990. This would cut unemployment by 465,000 by 1990 but at the cost of a significant increase in inflation and a reduction of real incomes.

Import quotas

● Import quotas to cut imports of manufactured goods by 5 per cent in 1985 and 10 per cent after 1986. This would result in a cut of 490,000 unemployed and somewhat reduce inflation.

● A tough incomes policy which held wage increases down to 5 per cent in 1985 tapering to 3.5 per cent in 1990. This would cut unemployment by 150,000 in 1990 and make a substantial impact on inflation.

The report is generally rather pessimistic about other measures including subsidies, investment incentives and special schemes to reduce unemployment. It says these ideas could only help limit the impact of unemployment.

London one of cheapest business centres

By Lisa Wood

THE cost of living in London is still less than in the European business centres of Frankfurt, Geneva, The Hague and Vienna, according to an annual survey.

Comparison

However, it compares unfavourably with U.S. cities such as New York, Houston and Washington, as well as European cities including Brussels, Paris and Rome.

The survey, International Transfers 1982, compares the cost of living in 26 cities in Europe, the U.S. and the Middle East to aid international companies in relocating employees abroad.

Management Centre Europe, which compiled the survey, also compared the cost of employing an executive, based on a comparison of salary, secretary's salary, office accommodation and car costs. London comes out as one of the cheapest business centres, in spite of office rental costs more than three times the average in Europe.

Total costs

Geneva remains the most expensive overall. New York, Paris and Frankfurt have the highest costs for an executive.

Copies available from Management Centre Europe, 1040 Avenue des Arts, 1040 Brussels, Belgium.

Print industry training proposals

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

AGREEMENT has been reached between the British Printing Industries Federation and the National Graphical Association on the abolition of time-served apprenticeships in the printing industry.

Under the proposed new arrangements all trainees will receive a single pay rate throughout their training, and qualify for craft status — and pay — whenever they achieve specified standards.

The agreement is a significant step forward for the cause of industrial training reform in one of the traditional strongholds of time-served apprenticeship. It will operate from August, 1983, provided it is

ratified by the membership of the two organisations.

Mr Mike Lithgow, BPIF head of industrial relations, said: "We reckon we are ahead of all other industries on this. We believe firmly that we are in the mainstream of forward progress on industrial training."

The new proposals are designed to improve the flow of apprentices and make it easier for existing NGA members to retrain as technology changes.

Agreement has been reached in spite of the fact that the Printing and Publishing Industry Training Board has been abolished and the TUC is urging affiliated unions not to co-operate with alternative

voluntary training arrangements.

This has apparently been possible because the NGA and BPIF began discussions on the reorganisation 18 months ago — before the abolition of training boards and other aspects of training became a political issue.

TUC opposition to the abolition of the statutory board is, however, preventing the printing employers from making similar progress on the reform of apprenticeship with the other large print union, the Society of Graphical and Allied Trades.

Under the new proposals management and union representatives in individual com-

panies will determine their training requirements in an annually agreed manpower plan. National training objectives will be determined by a management-union joint training council.

It is expected that a high proportion of new entrant trainees are likely to complete their training in about two years — half the length of existing time-served apprenticeships.

Tests to measure the standard achieved by trainees have been introduced by the Construction Industry Training Board. Employers are eligible for £200 grants for trainees who pass the tests at each of two levels.

Call for progress-chasing by Ministers

BY LISA WOOD

GOVERNMENT MINISTERS would do well to set aside time each week to check that key schemes to aid regional industry are giving "value for money," a report published by the Federation of Civil Engineering Contractors (FCEC) advised yesterday.

It was commenting on a federation-commissioned report which calls for a "progress-chasing system to monitor developments in particular areas to ensure there are no infrastructure "bottlenecks" delaying industrial regeneration.

The report was commissioned from Mr David Hencke, a specialist reporter on The Guardian.

Mr Hencke looked at five areas in Britain to assess their construction needs. He took

into account claims that "the motorway programme is largely complete, that the need for other major infrastructure programmes is similarly exhausted and that, therefore, the output of the construction industry will not recover" in the foreseeable future.

While not claiming that the five areas were necessarily representative of the whole country, he concluded: "There are, in fact, huge and exciting possibilities for the regeneration of our industrial infrastructure which would not only provide worthwhile new jobs now, but would also lay the foundations for greatly increased long-term employment prospects."

The five areas covered were Barrow-in-Furness, Merseyside, Swansea, Llanelli and Port Talbot, Glasgow and its surrounding "bow-tie" and the Wakefield district of West Yorkshire.

On Merseyside, the report said a careful capital investment programme could help to reverse the area's deterioration problems.

Mr Hencke said: "Communications could benefit from new investment in road, rail and air. There is also an urgent need to speed up the plans to clean up the Mersey, redevelop Docklands and investigate the Mersey barrage scheme."

A specific recommendation included the extension of the Liverpool enterprise zone or a small financial boost from the Government to allow the terminal and associated develop-

ments at Liverpool Airport to go ahead. At present, the projects were holding fire because they lacked a catalyst, said Mr Hencke.

The federation said that while the views in the report were Mr Hencke's own, it was in broad agreement with them, particularly with the suggestion that "half an hour a week at the Department of Environment and Department of Transport in Marsham Street could be spent by ministers checking that key schemes to help industry — progressing well to ensure a little better value for money."

A "New Life for Old Cities: A Programme of New Public Investment" is available from FCEC.

Companies 'too free in money markets'

By David Meisel

CONCERN among bankers at the freedom enjoyed by industrial companies on the foreign exchange markets was expressed at the annual meeting in London of the International Foreign Association, which ended at the weekend.

Herr Friedrich Meisel, of Citibank's Frankfurt branch, said companies could move around large amounts of money, were largely uncontrolled by central banks and could add to the volatility on currency markets.

Herr Meisel told the conference, which brought together 2,000 currency dealers from around the world: "Many corporations today have large dealings rooms where they do not just buy and sell currencies for purely commercial purposes but which they actually use as an in-house bank with exchange arbitrage which they regard as a profit centre."

In his presentation, given on Friday at a closed session but released at the weekend, Herr Meisel criticised the U.S. Government's non-intervention policies towards the dollar.

Currency intervention was ineffective to stabilise exchange rates if it was not backed up by other economic measures, he said. "But this was not a justification for a 'hands-off' policy."

"I think that central banks have to participate in the exchange markets, if only to be prepared when decisive action is required."

He said the monetarist school of thinking had had its way in the U.S. Treasury since March, 1981. According to this theory, central banks' interference in the markets itself contributed to currency turmoil. This would imply, he said, that their withdrawal would return stability to the markets.

"This may be so, but exchange rates went on fluctuating after this decision just as they did before, if not even more."

"The more I personally watch out daily fluctuations, the more I come to the conclusion that only close co-operation by the major central banks would help to stabilise exchange markets and to avoid the worst fluctuations," Herr Meisel said.

Government urged to end divorce payments to adults

BY LISA WOOD

THE Government has been urged to "stop dragging its heels" and to change the divorce law to end all maintenance payments to adults.

The Campaign for Justice in Divorce said the alternative to ending adult maintenance payment was a return to a strictly fault-based divorce law under which only the "guilty" would pay. But, said the campaign, the ending of all maintenance payments, except for children, was the only solution.

The campaign, in its latest publication, said that payments of maintenance, by men to ex-wives and in a minority of cases

by women to less prosperous ex-husbands, could not be justified under present divorce laws where fault by marriage partners was not considered.

The publication said: "Of course people feel sympathetic towards the fate of some ex-wives who may face a struggle to support themselves."

"But the presumption of their innocence in all cases is a monstrous injustice to ex-husbands. "Women cannot expect to avail themselves of no-fault divorce on demand without also accepting the obligation to be self-supporting except where there are young children."

Welsh Labour conference seeks ban on Trotskyists

BY ROBIN REEVES, WELSH CORRESPONDENT

IN A MOVE which could undermine the fragile truce between Labour's Left and Right wings, the Welsh Labour Party's annual conference called at the weekend for the proscribing of militant supporters and the expulsion of Trotskyists and similar activists.

Meeting in Swansea — one of the areas selected for a special party investigation into the activities of the Marxist Militant Tendency — the conference decided by a narrow majority to urge the executive to take this action "to restore to the Labour Party its traditional image and confidence of the

electorate."

Delegates' thinking was clearly influenced by Labour's poor showing in the local elections in England and Scotland and the party's poor standing in the opinion polls. They ignored the fact that Trotskyists and similar activists had informally agreed at Bishop Stortford last January.

Mr Alan Williams, Swansea MP, said the Left had started the witchhunt. Militant supporters and others could not be allowed to remain in the party if Labour was to remain credible and not be obliterated at the next general election.

Earthly matters behind the pastoral visit

Gareth Griffiths reports on the Pope's answer to commerce's prayer

THE POPE'S decision that he is likely to go ahead with his visit to England, Scotland and Wales at the end of this week will not only please Britain's 6m Roman Catholics but will also be a fillip for many of the 75 companies supplying the official papal memorabilia.

It will also provide relief for the Roman Catholic Church, which would be the main financial loser from the visit's cancellation.

So far sales of souvenirs associated with the Pope's visit have been less than expected, mainly because of the Falklands crisis.

Many companies have cut back or stopped production of souvenirs and those who hoped for a market similar to that for last year's royal wedding have been disappointed.

Even in Britain's most Catholic areas, such as Merseyside and Glasgow, sales have been well down. The cancellation would have hit manufacturers badly, particularly as half of them are not insured against cancellation.

Most of the souvenir manufacturers are small companies. The largest manufacturer on the official list produced by the Catholic Information Services office in London is the Royal Worcester Group.

One of the smaller companies on the list is Tyrella Glass in Alton, Hants. The company employs nine part-time workers and the bulk of its business is in company commemorative items. Its range includes tumblers and paperweights priced from £1 to

£180. The company was hoping to sell £100,000 worth of goods but so far it has only sold about £20,000 worth.

Mr Bryce Beaton, the chairman of Finchwood Designs, a Sheffield company which makes metal busts, says his company stands to lose between £30,000 and £40,000 because of the poor sales of papal memorabilia.

Ironically, the company started making souvenirs to diversify from the depressed cutlery industry. Production started in February and finished on Tuesday and covered between 15,000 and 18,000 articles with a retail value of about £150,000.

"We got figures from International Management (the marketing company handling the papal memorabilia licensing) about the numbers attending the masses and we took a guessimate on demand. We decided to do a direct mail order campaign and very little wholesale, but we had a fairly slow response with orders worth about £4,000 to £5,000," says Mr Beaton.

Companies which produce souvenirs tend to regard them as a spin-off from their main business. But profit margins can be high. W. H. Smith, for example, says souvenir profits are higher than those from everyday business.

Two things went disastrously wrong for the souvenir industry eveo before the visit was thrown into doubt. First, it was impossible to forecast the size of the

market accurately. The Papal visit has obvious attractions for the UK's 5m to 6m Roman Catholics and for many Anglicans, but there is not the universal market there was for last year's royal wedding.

Second, the store buyers were unhappy about over-committing themselves.

The Roman Catholic Church in England, Wales and Scotland decided souvenirs would be a major item of revenue after its experience of the Pope's visit to Ireland in 1980 which, in spite of the enormous crowds, was a financial disaster for the Irish Roman Catholic Church. The visit cost £25m and although national collections raised £2.5m there was a cash shortfall of £500,000. The commercial spin-offs and profits were entirely in private hands and there were some distasteful products.

After this mortifying example, the Church set up a company called Papal Visits England and Wales and PV Scotland. International Management Group was hired to handle the marketing and a 10 per cent commission was levied on the recommended retail price of approved souvenirs. Four-fifths of that 10 per cent will be paid to Papal Visits to finance the trip and the remaining fifth to IMG.

The Roman Catholic Church in Britain is bearing the major cost of the visit and would therefore be the biggest loser

if cancellation happened. The costs of the visit are estimated at £6.2m for England and Wales and £1.2m for Scotland. More than half that money has already been spent and the co-ordinators believe that about a sixth of the total, i.e. only £1.2m, is recoverable. The insurance cover against cancellation is £1m for England and Wales — the Church had intended to raise the cover but left it too late.

Most of the money has been spent on construction work, particularly outside London. Liverpool alone has spent £300,000 on construction work at Speke airport. The northern dioceses will have to foot most of the bill because, unlike the Church of England, there is no equalisation scheme or central board of finance.

This is likely to cause some controversy as the northern dioceses tend to contain poorer Roman Catholics than in the south. The Church is traditionally right-lipped about its funds and its financial structure is decentralised, but it appears that many dioceses are in debt. Westminster Archbishop alone owes more than £20m, even before the visit.

The funds will be raised by a series of levies on the 50 per cent of Roman Catholics who go to Mass. They will be asked to put money in the plate — in Westminster it will be around £1.50, but in Merseyside — £3 a

head and in Hexham and Newcastle — £3 a head.

It is still doubtful whether the Church will raise all necessary money this way. Levies raised at the beginning of the year to provide the seed corn for the visit raised much smaller sums. Westminster, one of the richest communities in the Church, for example, showed an average donation of only 84p.

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Key vote ahead on London Transport plans

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

LONDON TRANSPORT'S investment plans face their first major test following the Law Lords' ruling against the Greater London Council's cheap fares scheme.

A plan to place a £25m order for new buses goes before the GLC Transport Committee on June 23. That meeting, and the subsequent council votes, will have substantial implications for the bus industry.

London Transport proposes to order this year, for delivery in 1982, 210 Leyland Titan double-deckers and 150 Metro-Cammell Metrolines.

London Transport's requirements represent about three-quarters of Leyland's production of double-deckers and one-third of Metro-Cammell's. The industry's order books are already severely affected by the spending cuts of other passenger transport authorities.

A group representing bus manufacturers and operators will shortly report to the Government on the low level of ordering throughout the country. The Association of Metropolitan Authorities is also showing a keen interest in the implications for the future viability of a UK bus industry.

GLC's counsel has been advising strict adherence to the Law Lords' ruling which, as applied to investment decisions, means that every investment of more than £1m must be related to the eventual break-even of the London Transport network.

London Transport's managing director of buses, Dr David Quarriby, says this would imply a bus fleet of about half the present strength of just over 5,000. In these terms, the proposed order for 1982 would not be justified in its entirety, if at all.

In the meantime, Mr Dave Wetzel, GLC transport committee chairman, is seeking alternative legal advice in the hope that a more moderate interpretation could be made of the Law Lords' decision.

There is, however, a suspicion in some quarters that the GLC would rather stick to its strict interpretation as a way of forcing the Government to change the law.

Tax reforms sought on own-share deals

FINANCIAL TIMES REPORTER

THE ASSOCIATION of Independent Businesses has joined calls for the Government's proposed tax reforms to be broadened to facilitate purchases by companies of their own shares.

In particular, the association wants to make it easier for inactive entrepreneurs and their successors to dispose of their shareholdings in small, unquoted companies.

The 1982 Finance Bill proposed that certain share purchases by unquoted trading companies — mainly small and family businesses — should be subject to capital gains tax rather than advance corporation tax and income tax.

The Bill provides that the 10 per cent capital gains tax would apply only if the purpose of the transaction was to benefit the trade of the company. Purchases arranged, in effect, as tax-free dividends would remain subject to advance corporation tax and income tax.

The association says it would be difficult to indicate "a benefit to practice" and suggests that the wording be altered to indicate a benefit to "the management and the conduct of the company's affairs."

The Association of Independent Businesses would also eliminate the clause restricting share purchases by a company on the death of a shareholder to those cases where undue hardship from capital transfer tax liabilities would occur.

"The very fact that any capital transfer tax has to be paid will automatically be a hardship and leaves open to understandable arguments the question as to what is, and what is not, undue hardship."

In cases where a shareholding represents the greatest part of an estate, the association suggests that purchases by the company should be considered capital transactions up to the level of capital transfer tax payable.

The protection of these provisions should also be available in cases in which the shareholding is 5 per cent or less, provided the entire holding is sold to the company. This would help to prevent the fragmentation of ownership and the direction of small companies by second and third-generation owners.

Poll finds wine and spirit drinking habits constant

BY GARETH GRIFFITHS

BRITISH spirit sales may have been depressed for the past year but a National Opinion Poll survey suggests the number of people who drink wine and spirits has remained constant.

The survey, published at the weekend, found that 7 per cent of adults claimed never to have drunk alcohol, 56 per cent claimed to drink once or twice a week and just under 25 per cent at Christmas or on special occasions.

NOP found that while claimed consumption of whisky was fairly even throughout the country, a higher proportion of consumers in London than elsewhere said they bought wine. Some 61 per cent of those in London questioned bought table wine compared to only 36 per cent in Scotland. Apparently in response to recent advertising, 8 per cent of sherry drinkers in the London area said they took ice in their sherry compared to 6 per cent nationally and 4 per cent in the south and south west areas.

The most popular drink in the wines and spirits sector was table wine. The survey says it was drunk by 65 per cent of adults. Some 56 per cent said they drank sherry at some time. Whisky is the most commonly drunk spirit with 41 per cent claiming they drink it "ever" compared to 22 per cent for gin and 21 per cent for vodka.

Wine in a box, which has been on the British market for just over a year, had been heard of by 21 per cent of the upper socio-economic group, compared to 8 per cent of all adults.

Some 54 per cent of consumers said they bought their Christmas wine supplies from supermarkets or grocers and 39 per cent from off-licences while 57 per cent of whisky drinkers said they bought from supermarkets and 27 per cent from off-licences.

The NOP survey had a sample of 1,924 adults.

Unscrambling the colour television market's confused signals

Jason Crisp on the industry's booming sales and growing fears

TELEVISION manufacturers in the UK have become increasingly nervous recently. The British colour television market is booming but there has been a rise in production capacity recently and stocks have also risen sharply. As a result production planning for the dozen TV makers in the UK is proving difficult.

Some apparently contradictory signals have been coming from the industry. The first quarter of this year has seen sales soaring even higher than in the corresponding period of 1981, and last year was the best since the "Barber boom" in 1973. Deliveries to the trade totalled 2.53m units according to the British Radio Equipment Manufacturers' Association, of which 2.25m were sold. Industry sources suggest that deliveries in the first three months of this year were 15 per cent higher than in the same period of last year.

Recently Sony, the longest-established Japanese TV maker,

announced that it is making the expensive and difficult move into rental and is more interested in expanding capacity than reducing it.

Yet last week IIT announced that it planned to make nearly half of its remaining UK production force redundant by the end of the year. GEC-Hitachi has also announced that it is cutting production and laying off staff—even though the company's market share has risen.

Manufacturers are especially worried by the rapid growth in stock levels, which are substantially higher than last year, and some fear de-stocking by the trade and the eruption of a price war.

Several manufacturers have been increasing production capacity in the hope of gaining a larger share of a growing market, thus creating a surplus of sets. Another problem is that

by far the largest growth has come in two sectors, small sets and teletext. Small sets are largely imported and not all manufacturers are geared up to make teletext sets economically.

There are various reasons for the growth in the TV market. A significant number of people have now begun to replace their first colour TV. In real terms, the price of a colour TV has fallen considerably and there is also a strong demand for second sets. This is why the small 14-inch set is probably the fastest-growing sector of the market, rising 40 per cent in the first quarter of this year.

Since early last year—when manufacturers, rental and retail outlets, and the Government agreed on a co-ordinated push—the demand for teletext sets has soared. By the end of last year an estimated 350,000 homes had teletext sets, of which

220,000 sets were delivered in 1981. Estimates for this year vary widely, but the most optimistic predictions expect that by Christmas 1m homes will have teletext.

About 80 per cent of teletext sets are rented and the market has been dominated by Thorn EMI, Britain's largest TV maker. Although Philips was an early entrant, Thorn appeared to steal a march on its competitors and at one time was thought to have 80 per cent of the market.

According to one industry source, the Japanese manufacturers — with the exception of Sony — were the slowest to realise teletext's potential. And without tied rental chains like Thorn EMI and Philips it is harder for them to catch up. Another problem is that it is more expensive to make a teletext set if the television chassis

was not originally designed — like Thorn's TX sets — to offer it as an option.

Britain has the greatest Japanese TV manufacturing presence in Europe, including Sony, Toshiba, Matsushita, Hitachi and Mitsubishi. And in the autumn Sanyo is expected to start manufacturing at Lowestoft, in a factory once run by Philips.

There is a wide body of opinion in the industry which believes that the larger manufacturers—Thorn EMI, Philips, and GEC-Hitachi—will have to cut production plans because stock levels are running so high. But GEC-Hitachi—an equally owned joint-venture between the British and Japanese electronics giants—has so far been the only one to announce a cut.

GEC says two-thirds of production from its plant is being

sold by Hitachi, which can achieve as much as a £50 premium on an identical set sold by GEC. Industry sources blame GEC's limited promotion efforts, which have given it a poor name both with the trade and the consumer. And only half of GEC's sales are in its own name, the rest being sold or rented by companies such as Granada or Dixons.

GEC says sales in the last financial year were significantly higher but are now flattening out. It points out that production was limited this winter after a roof collapsed because of snow. This has resulted in higher staffing levels.

Imports of colour TVs have also risen in the last year. The increase has come from Grundig—which has been very competitive on price—and has been buying market share in line with its customary practice—and from Philips which has been importing from the Far East and from Bruges in Belgium.

Executives approve economic strategy

BY LISA WOOD

EXECUTIVES nation-wide are opposed to any change in the Government's economic and industrial strategy as a means of creating more jobs, according to the Institute of Directors (IOD) yesterday.

Some 200 executives involved in 24 IOD discussion groups, which have met over the last

two months to debate the role of business in reducing unemployment, concluded that increased competitiveness was the only way to create jobs in the long-term.

"The majority of discussion groups felt therefore," said the IOD, "that companies did not have a responsibility, over and above meeting their own

requirements, to create jobs. Although the executives believed "artificial means should not be used to increase the size of work forces," the institute also says its members have shown strong support for the Government's youth employment schemes and assistance for the handicapped.

National Savings down on target

BY ERIC SHORT

NATIONAL SAVINGS made a poor start to the financial year 1982-83, with net receipts, including accrued interest, totalling just £89.7m in April.

This must be regarded as a disappointing figure, compared with the record year in 1981-82 when net receipts, including accrued interest, reached £4.2bn.

April's figure is well below the amount needed to reach the Treasury's 1982-83 target of £3bn. This requires a monthly savings figure averaging £250m.

Investment in index-linked National Savings Certificates, still known as Granny Bonds, remained strong at £104.3m. But there was a net disinvestment of £19.7m in non-index-linked certificates.

The new 24th issue did not appear until April 19, so for much of the month there was no such certificate available. The current issue offers a return of 8.92 per cent tax free if held for five years. A total of £28.2m of this new issue was sold in April.

Marubeni's global role

One of a series of interviews by Mr. Dick Wilson and Dr. Yotaro Yanase



Mr. Matsujiro Ikeda, President

Marubeni Corporation recorded a total trading volume of Yen 10,900 billion in the year ended March 1981, 18 per cent higher than in the previous year. The consolidated net income was Yen 7 billion.

Marubeni employs more than 10,000 people and is capitalised at Yen 40 billion.

Founded in 1858 around the textile trade, Marubeni now has seven major groups dealing with metals, machinery, textiles, development and construction, energy and chemicals, agriculture products and materials and miscellaneous products.

Roughly 37 per cent of the trading is domestic, 26 per cent is exports, 19 per cent imports and 18 per cent offshore trade.

Finally a long list of machinery makes up the total import bill. A particularly profitable line in British-made machinery is Molins cigarette-making equipment, of which the company has even sold 38 million pounds sterling worth to Iraq.

On the export side the concentration is naturally on machinery and plant, with Third World countries highest on the list of priority.

Mr. Ikeda has recently predicted that, whereas the industrialized countries of the West are busy putting their economic affairs in order after the oil shock and the world recession.

"There are awaiting to be helped the large group of developing nations whose growth potential is enormous. This is where our future market lies."

The products offered by Marubeni are sold through 140 overseas branches covering almost the entire world. We asked President Ikeda to name a country where Marubeni had no branch, and he had to scratch his head for some time before he thought of one—Mali!

Some 30 million tons of steel a year are exported from Japan, along with currently popular items such as seamless casting pipes and construction equipment. In the big overseas projects the corporation gets help from Japan's Export-Import Bank.

Roughly \$1 in six is earned by the third-country or offshore trade.

More and more the very big projects outside Japan have to be pursued jointly with other companies, to bedge the political risks as well as to maximize the capability of supplying exactly the right products and techniques.

Marubeni may well collaborate, for example, with an Australian-French-British project now under planning.

Shortage of finance is the biggest difficulty with developing countries, although aid programmes, including those of the Japanese government, can assist.

Wilson: What are the prospects for British exports to Japan, in your view?

Ikeda: We have several strong lines, including Teacher's whisky and textiles. The big chance in the future will surely be in all kinds of machinery, especially aircraft.

The aerospace and defence industries are the ones to watch in Japan. British competitiveness is high in those sectors. We have started our International Project Office in London, which is especially catering for civil engineering needs.

Yanase: Can you help to resolve the trade frictions between Japan and Europe?

Ikeda: Japan does have a trade surplus with the EEC of some \$10 billion, but it is normal for there to be uneven trade balances in the modern world. Otherwise we would be reduced to the artificial constraint of barter business.

In any case it is the current account balance between countries which should count, that means including the service payments for things like tourism, shipping, banking, insurance and so forth.

In that light, our surplus with the EEC becomes much smaller.

We believe that Japan should stand ready to cooperate with Europe by not damaging those markets through "laser beam" methods in such lines as cars and electronics.

Among the counter-measures could be cited our manufacturing investment in European markets.

As for the criticism that we in Japan are closing our market to your goods, I personally think that we should liberalize as much as possible.

But it is not always easy. Take rice, a very important agricultural product for us. Not so long ago, when we were importing soybeans, another staple item in Japanese diet, from the U.S., the Americans banned the shipments because of the shortage.

If that would ever happen with rice, I'm afraid Japan could not afford to take the risk in such a staple foodstuff. So we are right to continue growing our own rice.

Wilson: The Sogo Shosha have potential imitators in other countries. Do you think they can succeed?

Ikeda: Yes, there are such moves in Brazil, Mexico and Korea and even in the U.S. But we are operating with huge financing from banks, up to 30 or even 40 times our own capital, and I doubt if any foreign bank would even do that.

"When I was Vice-President of our U.S. subsidiary some years ago, I had one American on the staff who earned twice as much as I did.

"But then, I remember the long-term seminar here in Japan to which we invited 20 of our local executives from various countries, filling them with information and details about our operations, only to find that one of them was immediately scouted, with all his inside knowledge, by one of our main competitors."

Such are the challenges of a Japanese trading corporation spreading over the globe and trying to become international.

The speaker is Matsujiro Ikeda, now President of Marubeni Corporation, one of Japan's big trading corporations, or Sogo Shosha.

Scope of business activities

Marubeni should be of particular interest to Europe because it is a bigger importer than exporter. Japan's leading export lines, notably electronics and cars, are usually exported directly by the manufacturers.

Marubeni spans a vast range of wares. Huge amounts of foodstuffs, especially grain, are brought into Japan, up giant grain elevators set up for the purpose in places like Portland, Oregon. Grain shipments for China and South-East Asia are handled alongside.

The next category is industrial raw materials, especially iron and coal, where investment has been made for the purpose in Australia and Brazil. Copper and timber also form large are on Marubeni's import list.

Energy provides another source of import business, not only oil on the world market but value-added items like naphtha and LPG. With steam coal as an alternative to oil, Marubeni has invested in Australia and North America.

Transfer of technology

Marubeni naturally encourages exports from these countries, and nowadays they want to do it in a form of processed or manufactured goods. This means technology transfer, in which Marubeni can again help.

"First we lend the capital," President Ikeda explains, "and organize the financing, then we extend the technology and buy the finished goods, so that employment can be expanded and the trade gap reduced."

It might be noted here that Marubeni is particularly strong, more than the other Sogo Shosha, in China.

With a staff of 25 in six offices across China, Marubeni now has 500 million pounds sterling worth of annual trade with China, or one tenth of the total bilateral trade between the two countries.

Japan should stand ready to cooperate

Global network

The global telecommunications network which makes Marubeni's work possible is formed by three independent switching centres in Tokyo, New York and Brussels with a medium-speed synchronous link connecting New York and Brussels with Tokyo.

The Kokusai Denshin Denwa message exchange centre in Tokyo, with its counterparts by IIT World Communications in New York and Euroteb (a subsidiary of Cable and Wireless) in Brussels, use on-line transmission and reception.

This enables office staff to send messages on a keyboard without the assistance of skilled telex operators.

The Tokyo centre is now handling more than 43,000 messages a day, enough to fill about 30 issues of the Financial Times. Marubeni's annual bill for all this is more than 14 million pounds sterling.

Yanase: What should Japan's role be in the future international economy?

Ikeda: Up to now Japan has been concerned with rebuilding her own economy. Now we enjoy a good GNP. But our frame of mind must now change from being a growing country to enjoying our affluence.

Japan must become more internationalized, and the trading corporations will be the forerunners in identifying how Japan can contribute to world prosperity. We must pay attention from now on to the prosperity of other countries. Marubeni will play its part towards that goal.

In a week when the board makes its decision on word-processing... what's your point of view?

No comment

For or against? The answer in black and white in the FT on Thursday.

Public Meeting

to explain the nature of GLE Super-annuation Fund investments in the Third World and the requirements and constraints.

The County Hall, London, SE1
7.30 pm, Friday, May 28th, 1982

Marubeni

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UK NEWS

Steps toward Anglo-Irish accord

Margaret van Hatten sees hope at a mundane level

LAST WEEK was a good week, possibly even an historic week, for Anglo-Irish relations. To begin with, the first Northern Ireland judge ever to sit in a Republic court heard evidence in Dublin on Monday as part of the Belfast trial into the murder in Armagh last year of Sir Norman Strunge and his son.

not have said she would like to do to him with the Georgian silver teapot he once gave her as a present. In the more mundane areas of mutual interest does not appear to have suffered.

was sympathetic about Northern Ireland, and apart from the Right-wing pro-Unionist fringe prepared to support Mr Prior's Bill, if that was what he wanted.

the establishment of the Anglo-Irish Council. London and Dublin have always had different perceptions of this special relationship, and until now have been prepared to live with the ambiguity for domestic political advantage.

Dublin court ruling may close extradition loophole

BY OUR DUBLIN CORRESPONDENT

THE LEGAL loophole by which suspects wanted for terrorist-type offences in Northern Ireland can avoid extradition from the Republic could, in practice, be closed if a recent decision made by a Dublin High Court judge is upheld.

Painful lessons put the Republic on its guard

BY BRENDAN KEENAN IN DUBLIN

THE SOURING of relations between Britain and the Irish Republic goes back to the IRA hunger strike last year. Political observers in Dublin believe Mrs Margaret Thatcher's handling of the issue changed Irish Prime Minister Mr Charles Haughey's mind on the benefits of the closer London-Dublin relationship which he had sought to forge.

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COMPANY NOTICES

NOTICE TO THE HOLDERS OF BANQUE NATIONALE D'ALGERIE 8 1/2% BONDS DUE 1983. In accordance with Clause 4(f) of the terms and conditions of the above bonds, the holders of the said bonds are informed that the bonds bearing the following serial numbers have been called for redemption at par on July 1, 1982.

GADEK (Malaysia) BERHAD

NOTICE IS HEREBY GIVEN that the fourth Annual General Meeting of the Company will be held at Ladang Pinji, Lahat, Perak, Malaysia, on Friday, 18th June, 1982, at 12.00 noon for the following purposes: 1. To receive and adopt the Accounts for the year ended 31st December, 1981, and the Directors' and Auditors' reports thereon.

BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of Building Society Rates on offer to the public. For further advertising details please ring: 01-248 8000, Extn. 3606

FINANCIAL TIMES

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Haughey warns of threat in devolution proposals

MR JAMES PRIOR'S devolution proposals for Northern Ireland are more damaging to Anglo-Irish relations than the Falklands dispute, Mr Charles Haughey, Prime Minister of the Irish Republic, has said. Mr Haughey said on Irish Radio that his Government had tried to keep separate the Falklands dispute, Northern Ireland and EEC issues. But the Anglo-Irish process had been seriously injured by the plans of Mr Prior, Northern Ireland Secretary.

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NOTICE OF REDEMPTION. To the holder of the notes payable in United States dollars the bare deposit of a guaranteed Note due 1982 is hereby notified that the principal amount of the notes is to be repaid on the date of this notice after the proposed redemption on 1st July 1982 is KD 2,000,000/-.

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Handwritten note: "John Lloyd" in a box.

Financial row breaks out at ASTMS conference

BY BRIAN GROOM, LABOUR STAFF

THE ANNUAL conference of the 43,000-strong Association of Scientific, Technical and Managerial Staffs (ASTMS), nearly ended a day early in uproar yesterday, as a row over finances broke out.

Delegates in Harrogate came within a hair's breadth of forcing the 25-member executive to resign for mishandling a levy of branch funds.

An angry debate illustrated the financial problems besetting unions, as Mr Norman Tebbit prepares in his Employment Bill to expose their funds to civil action for damages.

ASTMS suffered a £906,000 deficit of income against expenditure last year, compared with a £450,000 surplus in 1980. The union was hit by falling membership at the same time as it financed the purchase of impressive new headquarters in Camden Town, London, into which staff recently moved.

The executive decided last July on a levy of branch funds to cope with the problem. It was carried out in December, and raised a gross £1m.

It was calculated on estimated branch accounts, and left several branches in the red. Despite a formal apology from the executive, speaker after speaker rose yesterday to condemn both this and delays in refunding overcharged branches.

The raid of the branch accounts is the last fling of the

gambler to try to correct a financial situation that has been deteriorating within this association for the last three years," said Mr Frank Lott, a delegate from Tyneside.

Had the vote been taken immediately after the debate, delegates would almost certainly have passed a motion demanding the executive's resignation.

Although supporters of the motion urged it to resign after conference, the executive may well have quit immediately, ending the conference. It was unclear whether Mr Clive Jenkins who, as general secretary, is a non-voting executive member, would have had to resign.

However, delegates rejected the motion by 10 to one after lengthy delays for procedural points allowed them to reflect that the union would be without an executive for four months at a crucial time for the Labour movement.

ASTMS, once the growth stock of the TUC, saw its membership fall by roughly 10 per cent last year, through failure to recruit rather than redundancies.

It was financing new headquarters bought for nearly £3m at the start of 1980, which is being refurbished for up to £1.5m. ASTMS is due to start repaying a £1.5m bank loan for the purchase in 1983, and last year saw its general fund bank overdrafts soar from zero to £2.57m.

Sales of property, including the former headquarters and the City office, are expected to raise £1.7m to reduce borrowing in the next 12 months. However, even with this and with a 25 per cent increase in members' contributions, which was introduced on January 1, a deficit is expected for 1982 and probably for 1983.

Its members' funds totalled £3.135m at the end of 1981, compared with £4.034m the year before.

Mr Tebbit's Bill would expose unions to claims for damages of up to £250,000 for unlawful industrial action. ASTMS voted on Saturday to defy the law, if necessary.

Mr Jenkins said the TUC general council might have to take over any union bankrupted by the measures.

Conference rejected calls for a 24-hour general strike, and for withdrawal from tripartite bodies.

On the economy, ASTMS overwhelmingly supported both free collective bargaining and the TUC's alternative economic strategy.

Mr Jenkins said he rejected wage controls or norms, but a Labour Government would have to decide what to pay the 24m people whose incomes derive from the state or state industries and services.

Election warning to Labour

By John Lloyd, Labour Editor

LABOUR PARTY members who were prepared to say that the next election did not matter would lose the party the general election, Mr Derek Gladwin, southern regional secretary of the General and Municipal Workers' Union, said yesterday.

"We know that the loss of the next election would lead to a fresh period of internal warfare within the Labour movement, a process which would be disastrous for our industrial as well as our political strength. Above all, we know that another period of Tory rule would bring an intensification of their attack on the living standards of our members, on the social wage and on the freedom of trade unions."

It was "a most dangerous heresy to believe the next election did not matter, he said."

MR DAVID BASNETT, general secretary of the GMWU, claimed yesterday that soundings among companies in which his members were employed showed that "virtually no employers" supported the Government's proposed employment legislation.

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Private services battle may halt council work

BY JOHN LLOYD, LABOUR EDITOR

MAY HALT COUNCIL WORK SERVICES in the London Borough of Wandsworth face complete closure within two weeks as a long-running dispute between the council and unions over privatisation of many services comes to a head.

A meeting today of the 250 dustmen, on strike for the past five weeks, is likely to vote to ignore a council instruction to return to work immediately or face the sack.

The decision by a council sub-committee to sack the dustmen is to be ratified by the full council meeting on Thursday. If it goes through as expected the two major blue-collar unions, the General and Municipal Workers' Union and the National Union of Public Employees, will recommend the 2,500 council manual workers to begin an all-out strike.

The issue is seen by the union as critical in its growing campaign against passing of council services to private operation.

The GMWU and NUPE, each meeting in conference this week, have issued separate calls to their members to resist measures to hive off services to the private sector and are prepared to back strike action wherever councils push through such measures against union resistance.

Mr Ron Keating, NUPE assistant general secretary, said: "There is no way we are going to allow private contractors to

come in."

Mr David Basnett, the GMWU general secretary, said yesterday: "If other councils pursue the same line as Wandsworth, then they may also be affected by action."

It is not a question of trying to sack efficiencies, which we agree with. It is a question of ideology."

The issue at Wandsworth arose when the dustmen struck against council plans to seek tenders for refuse collection.

Since then the council has employed Pritchard, the cleansing company, which already has the borough's street cleansing contract, to collect refuse on a temporary basis.

Mr Derek Gladwin, GMWU Southern Regional secretary, said that he would be willing to discuss savings and efficiencies in the service if the dismissal notices were lifted.

However, he would not recommend a return to work on the basis of his members putting in a tender against commercial companies.

The NUPE conference voted to support "all forms of industrial action in the borough, to make an official contribution of £1,000 to the strike fund, and to request the TUC to back Pritchard."

The Conservative-controlled council was re-elected with a majority of five in the borough elections this month. It intends to privatise other services, including baths, halls and mechanical workshops.

Miners may strike in support of NHS staff

BY PHILIP BASSETT, LABOUR CORRESPONDENT

YORKSHIRE miners' leaders will consider today calling out their members on a 24-hour strike in support of the health workers taking action over their 12 per cent pay claim.

The disclosure comes among mounting evidence of support from other unions for the health workers - particularly from the NUM.

Miners in South Yorkshire have already taken action and those in South Wales, are currently balloting their members on a 24-hour sympathy strike. The result should be known on Wednesday, but first indications show that at least three lodges have voted in favour.

A clear indication of the miners' line came yesterday from Arthur Scargill, NUM President, who sent a telegram to the annual conference in Scarborough of NUPE, the largest health service union. The telegram stated: "The NUM pledges full support to all Nupe members in their struggle for a decent living wage. We stand ready to give all necessary co-operation and support."

Mr Pat Denning, president of NUPE, the largest union in the NHS, will call on TUC leaders for support at a meeting today of the "TUC inner cabinet" of the finance and general purposes committee. And he is to take the appeal to the meeting of the full TUC general council on Wednesday in the form of a letter from Mr Rodney Bickerstaffe, NUPE general secretary designate.

Mr Denning said, in his presidential address, that self-denying constraints health service workers placed on taking industrial action meant they had "every right to insist that other trade unionists recognise this and make a practical display of

their solidarity."

He called on workers in industry, transport and the media to take action supporting the health workers.

He suggested a 24-hour strike of newspapers, radio, and television to focus public attention on the NHS campaign; a one-day public transport strike; and strike action by "a couple of hundred thousand" industrial workers, to allow a march through London.

He was seeking the support of other unions with "industrial clout" and said: "If the TUC wants a dress rehearsal of the kind of action that might be necessary to defend individual unions threatened by Tebbit's employment Bill, it should get busy now organising sympathetic action by all TUC affiliates in support of the health service unions."

An extension of current co-operation between all health service unions is suggested in a statement by the NUPE executive on wages policy. The statement will be considered by the conference today.

It proposes a continuation and escalation of the current NHS action. The statement also discloses that NUPE has arranged a meeting in July between the unions on the TUC public services committee and on its nationalised industries committee. NUPE hopes the meeting will develop a joint strategy between public service and public sector unions over the 1982-83 pay negotiations, including renewed efforts to achieve a common pay claim and common settlement date.

Some health service workers in Scotland are on indefinite strike over the 12 per cent pay claim, and industrial action is having a disruptive effect across the country.

"...with copies to the Chief Executive, Company Secretary, and..."

MEMORANDUM

Draft: For Presentation at London Board Meeting, July 1982

From: General Manager, North American Operations

Re: Our U.S. Activities

When we last met, we discussed the need to improve the firm's image in America. It now seems advisable to summarize our discussion and make a formal recommendation.

American corporations will spend an estimated \$1 billion on corporate advertising in 1982. While such advertising may appear self-indulgent to some, Americans understand its purpose: to establish identity and build awareness.

Aside from those objectives, we should consider corporate advertising as a means of supporting our plan for acquisitions, and attracting potential joint venture partners and employees.

If corporate advertising can help achieve these goals (and the experience of American corporations suggests it can), then funds so devoted will be well invested. Such a strategy should be considered a long-term investment, not unlike an investment in capital goods.

The cost need not be exorbitant. A campaign to run exclusively in The Wall Street Journal, the medium preferred by American business, will suffice. I stress the importance of maintaining a corporate presence in this publication. It is an institution in America, read by nearly every executive one encounters throughout the U.S.

As Manager of North American Operations, I request approval of the attached budget for an initial program. With Board approval, I shall authorize our advertising people to begin preparation of proposals.

encl.

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THE WEEK IN THE COURTS

The exporting of national treasures

BY JUSTINIAN

AN ESSENTIAL part of a government's duty towards maintaining the cultural life of its citizenry is the conservation and protection of the country's historic and artist possessions, its national heritage. Works of art which are easily removed abroad have been the subject of legislation in many countries whereby their export is prohibited, except under licence. The enforcement of such prohibitions requires reciprocal treatment from those countries to whom artistic possessions are unlawfully conveyed. If that is so, the Court of Appeal's decision on Friday, *Attorney-General of New Zealand v. Ortiz and others* is singularly unhelpful.

A few years ago a farm labourer in New Zealand uncovered a valuable Maori artifact—a series of five Maori carved wood toraro wood panels which formed the front of a food store carved in the Taranaki style. The carving was 150 years old. In March 1973 the farmer sold the carving to a dealer in primitive works of art. Subsequently the carving was removed from New Zealand and sold in New York to Mr Ortiz. In 1977 Mr Ortiz's daughter was kidnapped, and in order to raise the ransom money demanded, Mr Ortiz sent part of his art collection to Sotheby's for auction. The principal item in the auction was the Maori carving. The impending auction came to the notice of the New Zealand Government which took swift action in the courts to prevent the sale of the carving. It sued for a declaration that the carving belonged to the Crown in right of her govern-

ment in New Zealand and an injunction. The Maori carving was protected by the Historic Articles Act 1962. By that Act it was unlawful for anyone to remove the carving from New Zealand, knowing it to be an historic article, otherwise than pursuant to the authority of a written certificate given by the Minister of Internal Affairs for New Zealand. No certificate had been issued to the art dealer. By another provision in the Act the carving was forfeited to Her Majesty. The first point decided by the English courts was a preliminary issue as to whether the New Zealand legislation operated to effect an automatic forfeiture on the carving being unlawfully exported, or whether forfeiture took effect only as and when the carving had been seized by the customs authorities.

The words in the 1962 Act were, "shall be forfeited." That was ambiguous. They were capable of meaning automatic forfeiture as being liable to forfeiture in this country, but was intended exclusively for export, was permissible, even though parliament had merely provided for forfeiture of articles "kept for publication for gain" without stating any geographical limitation. Since the whole purpose of the New Zealand legislation was to protect its national heritage against removal abroad, it seems that Lord Denning has overlooked its purpose in favour of an outmoded rule of international law.

The much more debatable point was, assuming that the New Zealand legislation effected an automatic forfeiture, would the English courts enforce such a law? The problem lay in a long-established rule that English courts have no jurisdiction to entertain an action for the enforcement, either directly or indirectly, of a penal, revenue or other public law of a foreign state. Again, Mr Justice Staughton concluded in favour of the New Zealand Government. He held that the 1962 Act was not a revenue law. But was it penal, since it no doubt had an unpleasant consequence for the owner who was found to have exported it without a permit and could be fined

for his wrongdoing? The judge concluded that the purpose of forfeiture of the historic article was not the vindication of public justice but was a measure designed purely to preserve the property of the people of New Zealand, the fine being tangential to the real purpose of the law. Lord Justice Ackner in the Court of Appeal thought that the public right asserted by the Attorney General of New Zealand was one which the New Zealand Government sought to vindicate through confiscation. It would be wholly unreal to suggest, therefore, that the forfeiture provisions were not a foreign penal statute. The difficulty about the case is that the New Zealand Government had no proprietary title to the carving and was, therefore, seeking to enforce the 1962 Act itself.

In those countries where the state owns the nation's treasures there is no problem of recovery if any of its properties are removed unlawfully. But where the private ownership of works of art is sought to be preserved for the nation by legislation preventing their export, any unlawful removal from the country renders them legally irretrievable from Britain; that is, if the decision of the Court of Appeal stands. Clearly there is urgent need for international action. Just as nations agree to hand over fugitive offenders, so they ought to hand back the treasures that are illegally removed.

Times Law Report, May 22 1982
Gold Star Publications Ltd v Commissioner of Police of the Metropolis [1981] 1 W.L.R. 732

after a training setback and if this is the case he will almost certainly outclass Riyahi. Chalon, the half-length conqueror of Merlin's Charm in the Ladbrokes Nell Gwyn Stakes at Newmarket on April 15, is likely to complete her hat-trick.

Turning to Bath, John Reid may only have to wait for the completion of the first race, the Downs Stakes, to open his account at the earliest opportunity, as he did a year ago. Reid, responsible for the 12-1 winner Wicked Wave in the Downs Stakes last year, rides Prince's Hair this time. On the Derby front, the Press Association's Irish correspondent has confirmed Golden Fleece as a definite runner for

RACING

BY DOMINIC WIGAN

Lester Piggott, the Warren Place colt trained clear of his rivals, headed by Burglar's Walk, to win with consummate ease. Cecil saddles the American-bred colt this evening to give him experience before next month's royal meeting, and Concorde Hero is likely to complete his double tonight at the expense of John Dunlop's newcomer, Gennaro.

Two other likely winners for the Cecil Piggott team are Paradise Terrestre, who makes his seasonal debut in the Heron Stakes and Chalon, chasing a hat-trick for the season in the International Fillies Stakes.

Paradise Terrestre, who runs in preference to Match Winner, is thought to have recovered

the English Derby after talking to Vincent O'Brien at the Curragh. Everything points to the unbeaten colt being in the line-up, but after the events of recent weeks nothing would surprise me.

- BATH**
- 2.00—Prince's Hair***
- 3.00—Charlotte's Choice
- 3.30—No Fluke
- KEMPTON**
- 6.00—Concorde Hero
- 6.30—Paradise Terrestre
- 7.00—Spectacular Sky
- 7.30—Chalon
- 8.00—Another Sam
- 8.30—Government Programme
- 9.00—Match Master***
- EDINBURGH**
- 7.00—Fleet Bay
- 7.30—Johanne Hussar**

CONCORDE HERO, already earmarked for Royal Ascot's Coventry Stakes, has every appearance of giving backers of favourites a good start to the week at Kempton this evening. Such was the confidence behind this handsome Super Concorde colt on his racecourse debut that he started at odds of 2-7 when he beat nine opponents in Newmarket's British Telecom Stakes earlier this month. Eased into the lead a quarter-of-a-mile from home by

BBC 1

- 6.40-7.55 am Open University (ultra high frequency only), 9.08 For Schools, Colleges, 10.00 You and Me, 10.15-12.05 pm For Schools, Colleges, 1.00 pm News After Noon, 1.30-1.45 Pigeon Street, 2.01-3.00 For Schools, Colleges, 3.15 Songs of Praise from Caerleon, Gwent, 3.50 Regional News for England (except London), 4.55 Play School, 4.50 Chessers Plays Pop, 4.45 Jaws of the Jungle, 5.05 John Craven's Newsround, 5.10 Blue Peter, 5.40 News, 6.00 Regional News Magazines, 6.25 Nationwide, 6.55 Triangle, 7.20 Bret Maverick, starring James Garner, 8.10 Panorama, 9.00 News, 9.25 Play of the Month: "I Have Been Here Before," by J. B. Priestley, starring Herbert Lom and Anthony Valentine, 11.05 The World of Golf (4) The Ladies, 11.53 News Headlines, 11.55 The Computer Programme.

TELEVISION

Chris Dunkley: Tonight's Choice

BBC TV's "Play of the Month" is I Have Been Here Before, one of several dramas by that cunning old weaver of spells fatalism and giving rise to the collective title "Time Plays." In this story a mysterious foreign doctor arrives at an inn on the Yorkshire moors seeming to know much more about the place than any real stranger should. Herbert Lom is the doctor and Janet another of the inn's guests is played by Lorna Heilbron... which is a tiny bit eerie because, according to my script, the six strong cast of the original 1937 production at the Royal included William Heilbron. Human Brain on BBC 2 has so far thrown something less than a blindingly clear light on its subject, the inconsistent shading of a guttering candle might be nearer the mark. Tonight the series deals with language, trying to discover how our brains perform specific functions by using the same programme technique as *Episide 1: studying those in whom the function has gone wrong.* The narrator is Colin Blakely, who, at 11.00 reads the first episode of a new "Book at Bedtime" on Radio 4, Graham Greene's *The Quiet American*. BBC 2's Banking on Allah investigates what could be a new force in world finance: the billions of dollars lying around unused because Islamic rules forbid the charging or earning of interest.

BBC 2

- 6.40-7.55 am Open University, 11.00-11.25 Play School, 5.10 pm Kootley Fields, 5.40 Cartoons, 5.55 The George Formby Story, 6.25 Souvenirs of Sidmouth, 6.55 Better than New, 7.20 News Summary, 7.25 A Moment to Talk, 7.40 A Family Band, 8.10 The Maths Magic, 9.00 The Hitch-Hiker's Guide to the Galaxy, 9.30 Human Brain, 10.20 Banking on Allah (A Money Programme Special), 11.00-11.50 Newswight.

LONDON

- 9.30 am Schools Programmes, 12.00 Cockleshell Bay, 12.10 pm Rainbow, 12.30 Supersavers, 1.00 News plus FT Index, 1.20 Thames News with Robin Houston, 1.30 Van Der Valk, 2.30 The Children, 4.15 Bug Buggy, 4.20 The Sooty Show, presented by Matthew Corbett, 4.45 Smith and Goody, 5.15 Gambit, 6.00 Thames News, 6.25 Help! The community action programme with Vly Taylor Gee, 6.35 Crossroads, 7.00 Nature Watch, 7.30 Coronation Street, 8.00 Union Castle, 8.30 World in Action, 9.00 Minder, starring Dennis Waterman and George Cole, 10.00 News, 10.45 Midweek Sports Special: Brian Moore introduces the action from Hampden Park where Scotland meet Wales to the British Championship; also a look ahead to the World Cup warm-up match between England and Holland, 11.55 WKRP in Cincinnati, 12.25 am Close: Sit Up and Listen with Beverley Anderson. (Indicates programme in black and white)

All IBA Regions as London except at the following times:

- ANGLIA**
1.20 pm Anglia News, 5.15 Off-cent Strokes, 8.00 About Anglia, 8.30 Benson, 11.55 Superstar Profile, 12.25 am Signs of the Savan.
- BORDER**
1.20 pm Border News, 6.00 Look-around Monday, 8.15 Fashion Today, 8.30 Look Who's Talking, 9.00 Hill Street Blues, 11.55 Border News Summary.
- CENTRAL**
1.20 pm Central News, 8.00 Central News, 8.00 Hill Street Blues, 11.55 Central News, 11.55 Barney Miller, 12.30 am Come Closs.
- CHANNEL**
1.20 pm Channel Lunchtime News, What's On Where, 2.15 Emmerdale.

6.40-7.55 am Open University

- 11.55 Around 'n' in France, 12.00 Ladies' Men, 12.10 am News in French, 8.25 am First Thing, 1.20 pm North News, 6.00 North Tonight, 6.30 Country Focus, 9.00 Hill Street Blues, 11.55 Target the Impossible, 12.25 am North Headlines, 1.20 pm Granada Reports, 1.30 Survival, 2.00 Movie Memories, 8.00 Private Benjamin, 8.30 Granada Reports, 9.00 Quincy, 11.55 The Odd Couple, 1.20 pm HTV News, 6.00 HTV News, 6.00 Hall Street Blues, 10.45 HTV News, 11.55 Star Parade, (s), 10.45 HTV Cymru/Wales-As HTV West except: 12.00-12.10 pm Occw Mam Yr Ddud, 4.15 Murphy's Mob, 4.45-5.15

6.40-7.55 am Open University

- 11.55 Around 'n' in France, 12.00 Ladies' Men, 12.10 am News in French, 8.25 am First Thing, 1.20 pm North News, 6.00 North Tonight, 6.30 Country Focus, 9.00 Hill Street Blues, 11.55 Target the Impossible, 12.25 am North Headlines, 1.20 pm Granada Reports, 1.30 Survival, 2.00 Movie Memories, 8.00 Private Benjamin, 8.30 Granada Reports, 9.00 Quincy, 11.55 The Odd Couple, 1.20 pm HTV News, 6.00 HTV News, 6.00 Hall Street Blues, 10.45 HTV News, 11.55 Star Parade, (s), 10.45 HTV Cymru/Wales-As HTV West except: 12.00-12.10 pm Occw Mam Yr Ddud, 4.15 Murphy's Mob, 4.45-5.15

6.40-7.55 am Open University

- 11.55 Around 'n' in France, 12.00 Ladies' Men, 12.10 am News in French, 8.25 am First Thing, 1.20 pm North News, 6.00 North Tonight, 6.30 Country Focus, 9.00 Hill Street Blues, 11.55 Target the Impossible, 12.25 am North Headlines, 1.20 pm Granada Reports, 1.30 Survival, 2.00 Movie Memories, 8.00 Private Benjamin, 8.30 Granada Reports, 9.00 Quincy, 11.55 The Odd Couple, 1.20 pm HTV News, 6.00 HTV News, 6.00 Hall Street Blues, 10.45 HTV News, 11.55 Star Parade, (s), 10.45 HTV Cymru/Wales-As HTV West except: 12.00-12.10 pm Occw Mam Yr Ddud, 4.15 Murphy's Mob, 4.45-5.15

(s) Stereo broadcast (when broadcast on whf)

- RADIO 1**
5.00 am As Radio 2, 7.40 Mike Read, 8.00 Simons, 11.30 Ove Lee Travis, 2.00 pm Steve Wright, 4.30 Peter Powell, 7.00 Stayin' Alive with Andy Peebles, 8.00 David Jensen, 10.00-12.00 John Peel (s).
- RADIO 2**
2.00 am Steve Jones (s), 7.30 Terry Wogan (s), 10.00 Jimmy Young (s), 12.00 Gloria Hunniford (s), 2.00 Ed Stewart (s), 4.00 David Hamilton (s), 6.45 News Sport, 8.00 John Ounn (s), 8.00 Folk on 2 (s), 9.00 Humphrey Lyttelton with the Best of Jazz (s), 8.55 Sports Desk, 10.00 Monday Movie Quiz with Ray Moore, 10.30 Star Sound with Nick Jackson, 11.00 Bron Matthews with Round Midnight

RADIO

- at the Playhouse (s), "7.55 Barnes" People, Monologue for radio by Peter Barnes with Alec Guinness, 8.15 "Punch and Judy," opera by Harrison Birtwistle, part 1 (s), 8.55 from South Kensington, by Colin McLaren, 9.10 "Punch and Judy," part 2 (s), 10.15 Jolius Katchen (s), 10.20 Jazz in Britain, featuring Kenny and Jelle Toppitt (s), 11.00 News, 11.05-11.15 Joan Hammond (soprano), 6.00 am News Briefing, 5.10 Farming Week, 8.25 Shipping Forecast, 8.30 Today, 8.35 The Week On 4, 8.43 Glyn Wornipin with recordings from the BBC Sound Archives, 8.57 Weather, travel, 9.00-9.05 Start the Week with Gary Giltzer (s)

RADIO

- 10.00 News, 10.02 Money Box, 10.30 Oolly Service, 10.45 Morning Story, 11.00 News, 11.03 Down Your Way with the World at One, 1.40 The Archers, 11.55 Shipping Forecast, 2.00 News, 2.02 Woman's Hour, 3.00 News, 3.02 Afternoon Theatre, 4.30 History Revisited, 4.35 Story Time, 5.00 The News Magazine, 5.50 Shipping Forecast, 5.55 Weather, programme news, 6.00 News, including Financial Report, 6.30 The Sory, I Haven't a Clue (s), 7.00 News, 7.05 The Archers, 7.20 Start the Week with Gary Giltzer (s), 8.00 The Monday Play (s), 8.30 Kaleidoscope (s), 8.55 Weather, 10.00 The World Tonight, 10.30 Science Now, 11.00 A Book At Bedtime, 11.15 The Financial World Tonight, 11.30 Today In Parliament, 12.00 News

RADIO

- 10.00 News, 10.02 Money Box, 10.30 Oolly Service, 10.45 Morning Story, 11.00 News, 11.03 Down Your Way with the World at One, 1.40 The Archers, 11.55 Shipping Forecast, 2.00 News, 2.02 Woman's Hour, 3.00 News, 3.02 Afternoon Theatre, 4.30 History Revisited, 4.35 Story Time, 5.00 The News Magazine, 5.50 Shipping Forecast, 5.55 Weather, programme news, 6.00 News, including Financial Report, 6.30 The Sory, I Haven't a Clue (s), 7.00 News, 7.05 The Archers, 7.20 Start the Week with Gary Giltzer (s), 8.00 The Monday Play (s), 8.30 Kaleidoscope (s), 8.55 Weather, 10.00 The World Tonight, 10.30 Science Now, 11.00 A Book At Bedtime, 11.15 The Financial World Tonight, 11.30 Today In Parliament, 12.00 News

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CUMBERLAND HOTEL Marble Arch	MOUNT ROYAL HOTEL Marble Arch	NEWS KIOSKS Kensington Hilltop Holland Park Avenue	PICCADILLY HOTEL RADFORD 145 Fleet Street
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TECHNOLOGY

EDITED BY ALAN CANE

Variable car transmission research for fuel saving

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

DR PHILIP REASBECK, Lucas's director of group research, reckons an enormous market is opening up for microprocessor-based control gadgets, which could be worth £10bn a year.

So it comes as no surprise to find that this is an area where Lucas is applying a considerable part of its £85m annual budget for engineering and development.

Wider range

Lucas employs 3,500 qualified engineers and scientists in 11 research establishments in Britain, but Dr Reasbeck can be found at the central research unit at Shirley in the West Midlands.

The unit's job is to support the operating companies partly by looking for new technologies and products, then taking products to a stage where they have been "road tested" and a reasonable amount of marketing information has been gathered.

Three of the products nearly ready to be passed on to their operating companies homes illustrate the general thrust of work at the central unit with its 350 staff—and an average employee age of under 30.

The first is a microprocessor-based control unit for continuously variable car transmissions (CVTs).

CVTs provide a much wider range of gear ratios than cur-

rent manual or automatic boxes but to enable their full fuel saving potential to be exploited the selection of the optimum ratio for each combination of operating conditions has to be an automatic process—you would not expect the driver to do it and survive the journey.

The Lucas CVT controller accepts input information from speed sensors (vehicle speed and transmission elements) and the driver's accelerator pedal. Its output signals control transmission to provide the required ratio at any given time.

Lucas built a test rig to simulate all the dynamically significant elements in a vehicle's driveline—namely the transmission shafts, gears, wheels and tyres, in respect of stiffness (compliance), backlash and inertias.

After proving the controller on the test rig—using the Perbury CVT being developed by BL—the complete transmission and control systems were installed in an 1850 cc car for extensive road trials.

These verified the fuel economies predicted by the rig tests—miles per gallon increases of up to 30 per cent and average increases of 15 per cent over typical driving cycles have been achieved compared with a standard car fitted with manual transmission.

The savings arise because for

most of an average car journey the optimum gear ratio is considerably higher (up to twice as high) than is currently provided by the vehicle's highest gear.

Lucas now has prototype controllers on other manufacturers' cars and says that the philosophy and principles developed during its CVT research project are applicable to almost any type of CVT.

The group maintains that the experience gained places it in a strong position to meet future needs for control systems engineered to match combinations of particular transmissions, engines and vehicles (trucks and buses as well as cars).

Precise control

Another area which Dr Reasbeck suggests Lucas has a product ready to leave the laboratories also concerns fuel savings. Control of the harmful emissions from a car engine is involved as well.

Many of the functions of the internal combustion engine now need to be precisely controlled—and precisely measured—if emission control legislation is to be met.

Lucas scientists have used micro-electronics technology to develop transducers capable of making these precise measurements. ("Transducer" is a

general term for devices capable of converting signals from one form to another, for example, from electrical to mechanical and vice versa.)

Air mass

Dr Reasbeck claims the work is pioneering in a real sense because the role of air mass flow into an engine is a principal factor determining both performance and economy yet attempts to measure air mass flow accurately have been made only in recent years.

He says Lucas is well-advanced with work on three types of air mass flow measurement units: corona discharge, hot wire (which is near production) and computation using the throttle pressure and temperature inputs.

The accuracy required from these transducers is such that new and highly sophisticated measuring techniques have had to be formulated to check them during development.

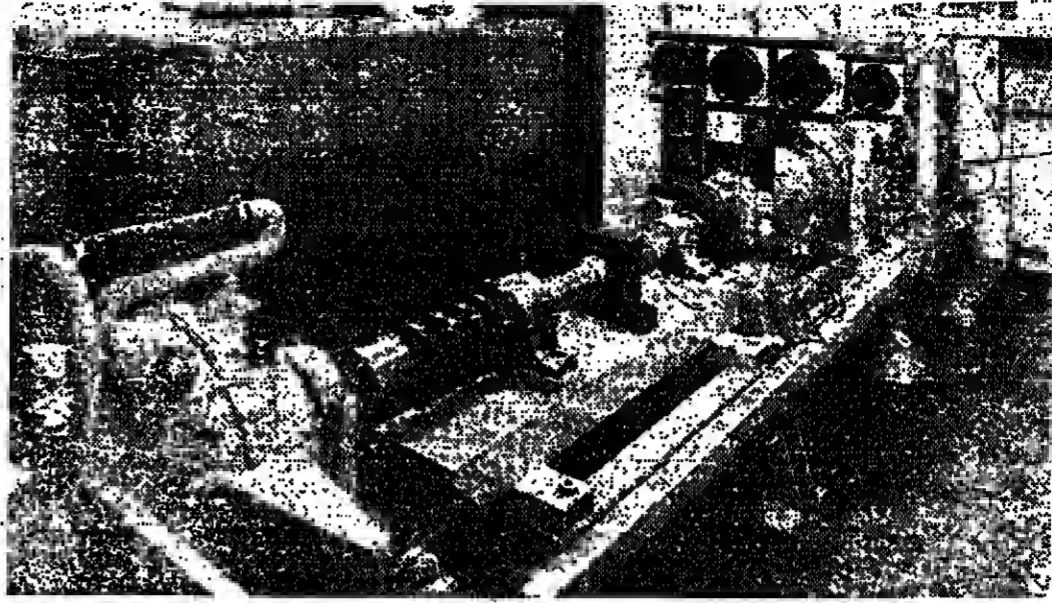
A computer-aided test system (CAT) was developed at the Lucas centre to provide a standard means of measurement and calibration.

Test cells

As part of Lucas's move towards control engineering for a number of applications, the centre has also developed control systems to convert standard robots into the "intelligent" kind. These can assemble a product, check it and, if it is not up to specification, disassemble, pick the right or better components and reassemble.

This allows high production benefits to be gained even when a variety of products are going down the same assembly line.

The Lucas centre has four test cells, using other people's robots, and is about to install a fifth.



The Lucas CVT test rig

Triumph Dolomite unit is functioning well

The CVT is the Perbury transmission which has been in development since the mid-50s and proved its potential in a number of projects.

Since the late 1960s it has been used by Lucas Aerospace for providing electrical power units for Harriers in service in the South Atlantic. (Writes Peter Cartwright).

In 1987 the Perbury CVT then at an early stage, was installed in a Hillman Minx and during 25,000 miles recorded fuel savings of 20 per cent.

In 1980, a "rolling heart" unit was originally made for a Rover 3.5 litre V9 engine only 12 inches long and nine inches in diameter.

It is currently installed in a Triumph Dolomite being developed by BL technology. It is reported to be functioning well and providing 20-25 per cent fuel savings in favourable circumstances.

This is with a less sophisti-

cated engine management system than Lucas. As the result of test bed work Lucas Research modestly claims 15 per cent average greater economy over a simulated range of driving conditions, with up to 30 per cent and a further potential taking it up to 40 per cent.

Thrust bearing

Mr Forbes Perry, managing director of Perbury Engineering, and the man behind the project, has been backed by the British Technology Group. He claims 20-40 fuel savings depending on application.

The Perbury CVT is a development of the pre-war Hayes automatic transmission, an employs rolling, bearing technology.

Basically, the unit is a double ball thrust bearing with unused parts of the balls cut away to leave discs

of material. These steel components roll on each other and power is transmitted through specially developed oily fluids which can be tailored according to application.

Gear ratio is a measure of the distances of the rolling contact points from the drive shaft centre lines. This gives a possible speed range of about 6:1. In the Rover 3.5 transmission for instance, the ratio varies from 2.7 reduction to 2.1 overdrive. The range can be extended by the use of epicyclic gears.

A unit for a 1.5 litre car would measure some nine inches long by seven inches in diameter, small enough to be placed behind or in front of the engine, or accommodated in an East/West configuration with front-wheel drive.

Because the Perbury CVT

Load cell for subsea applications

A LOAD cell, hermetically sealed and designed for subsea applications to depths up to 600 feet has been designed by Ocean Technical Systems (Laurence Higgins, 01-483 9577). The unit of alloy steel is designed to measure shear stress and as a replacement for standard chain shackle pins.

can provide zero output speed at full torque, it is equally applicable to electric traction vehicles, or those using a flywheel for energy storage, such as four-wheel-drive vehicles, agricultural tractors and single shaft turbine-powered vehicles.

The Perbury unit can be made in conventional engineering workshops with only one special purpose machine needed to grind the discs.

Sufficient units

It would probably need £10m to £50m over the next three or four years to make and develop a sufficient number of units for proving in field trials.

Eventually, it would probably need to be made at not less than 100,000 units annually on special purpose plant. Otherwise the viable volumes approach 5m.

Ticket terminals for travellers

BY GEOFFREY CHARLISH

A WHOLE new world could open up for the travelling public if a new kind of electronic ticket dispensing idea catches on.

NCR, strong in retailing electronics, has designed prototypes of a new family of terminals. NCR 1800, which are scheduled to go into full production next year. One of them, on show at the Design Centre, is configured for the airline industry and can, it appears, deal with virtually everything—reservations, ticketing, check-in and boarding.

But the system can be used by all sections of the travel industry, including railways, passenger ferries, coach services, and travel agents.

Used as an airline terminal, the 1800 enables passengers to find out about flights, make reservations through the airline's central computer, electronically debit payment for tickets and print/issue the ticket. It can also operate as a check-in and boarding terminal, providing boarding passes and baggage tags.

The machine can print existing ticket formats—the standard airline "books" used today—and can also be equipped to issue new magnetic stripe tickets on which the passenger's itinerary is electronically encoded in a stripe similar to that on a credit card.

Service 'menu'

NCR believes these single leaf, mag-stripe tickets are less expensive, less cumbersome, allow rapid self-service check-in and boarding, and enable the airline to implement further automatic accounting procedures.

The terminal presents to the user a large screen, keyboard, a slot for credit card insertion



and a second slot from which the ticket emerges.

To start, the user sees a "menu" of service offered on the screen and makes his choice. He might select "ticket purchase", for example, and will then see a series of simple instructions. He inserts his credit card, which is held in the slot partially exposed—allowing the entire transaction to be stopped simply by removing the card.

At each step he is asked to check all the details coming up on the screen, particularly cost, and to confirm acceptance simply by pressing a button.

The ticket is printed in a few seconds and is issued when

the passenger removes his card—making it impossible for him to forget it when leaving the terminal.

NCR says that the research programme has involved travel organisations in 13 countries and that much effort has gone into making the terminal entirely "friendly".

It is an important aspect, because such machines have to be acceptable not only to the airlines and their staff, but in the general public.

Form and content on the display screen are seen as the key point, because the user may have to cope with anything from the purchase of a simple shuttle ticket to a trip with several connecting flights.

Alarm check—wineglass style

BY ALAN CANE

TAP an empty wineglass and it rings clearly. Fill it with water and the sound is dulled. Now turn the glass inside out and tap it from the inside and you have a model of the technology behind Bestobell Mobra's new high level alarms for liquid filled tanks.

What is a high level alarm? It is a false way of letting an operator know when a tank has been filled to, say, 95 per cent or 98 per cent of its capacity.

They are needed on ships carrying dangerous chemicals. Typically, such a vessel would have an array of these tanks, some filled with inert liquids, others filled with corrosive or inflammable substances. Pollution regulations and

international safety requirements these days insist that a warning device be fitted to ensure correct tank filling—and that device must be tested before the liquid is poured into the tank.

Bestobell already manufactures float-type systems but it argues that it is impossible to be sure that the system is working without considerable effort.

Infrared, sonic and capacitance systems fail on the grounds they are not intrinsically safe (voltages or current too high) or insufficiently sensitive.

In the Bestobell Mobra system two piezo electric crystals are attached to the inner wall of a stainless steel cylin-

der. The associated electronics drive a high frequency ultrasonic pressure wave around the cylinder wall.

If the cylinder is in air, a particular level of signal is received (the glass "pings"); in our analogy, if surrounded by liquid, the pressure wave is lost in the media and a lower signal recorded (no "ping"). The alarm is simultaneously triggered.

Bestobell says the system is approved BASEFA and IMCO for industrial and marine use.

Future uses include industrial chemical storage and nuclear reactor safety. More on Slough 34846.

Microace a 'thinking dicer'

BY MAX COMMANDER

THE "thinking dicer"—the first of its type to be introduced by a British manufacturer—is claimed to permit diamond blade indexing within an accuracy of two microns.

The bench-top saw dicing machine is the result of a design by Loadpoint, the Swindon-based fine sawing specialists.

The machine will probably be of most interest to the semiconductor industry but is also capable of high speed fine sawing of glass, ceramics, ferrites, tungsten carbide and other materials.

Known as the Microace, the saw uses either a 600W or 800W three phase induction motor driven through an inverter

controlled by a built in microprocessor to provide a blade speed range of 10,000 to 40,000 rpm.

The machine can accept standard 55mm diameter hub-type or hubless blades with a 20mm bore as well as conventional blades between 50 and 60mm.

The Microace can also accept resin bonded diamond blades. Resinoid blades can be used for precision slitting applications such as those performed on video recorder heads where ferrite materials are difficult to machine.

In the picture a 75mm diameter silicon wafer, containing medium scale integration, is set up on the Microace vacuum

table ready for dicing into 3 x 4.5mm chips. The 50mm metal bond blade has a 25 micron wide cutting edge using a 3-6 micron synthetic diamond.

Dicers might like to call Stan Herber (0990 23456) for more technical information.

Gallenkamp pH stick

GALLENKAMP HAS developed a pocket-sized pH stick able to give accurate compensated readings to 0.01pH. The liquid crystal display is powered by seven hearing-aid type batteries. Details on 01-247 3211



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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Poor financial analysis blamed for weak U.S. investment

THE FUTURE prospects of many companies are being "seriously shierched" by the willingness of managers to look through the reversed telescope of discounted cash flow analysis...

The discounting approach has helped make companies reluctant to invest for two reasons, complain Robert Hayes and David Garvin, who both teach business administration...

In a forceful article, "Managing as if Tomorrow Mattered," in the latest issue of the Harvard Business Review...

Other influences cited by the authors include the short-term criteria that are applied both to the performance of individual executives and by the financial community to corporate performance.

Hayes and Garvin also argue that companies fight shy of capital investment and research and development because of the alternative—but often illusory—"bargain basement" attractions of mergers and takeovers...

Bitten by the inflated "hurdle rates"—minimum rates of return—for proposed new capital projects, American managers have found reinvestment in existing businesses less and less desirable...

Had they placed less faith in the misleading objectivity of their discounting techniques, they might instead be spending their time and resources reinforcing their own bunker walls.

The force—even bitterness—of "Managing as if Tomorrow Mattered" is likely to cause much anguish among top American executives, as have two other Harvard Business Review articles by Professor Hayes in the past two years: "Managing our Way to

THE DANGERS OF A 'DISINVESTMENT SPIRAL'

HAYES AND GARVIN cite the cases of two companies that share the market in a price-sensitive industry. "Initially, both use the same production processes and have similar cost structures. A new manufacturing process, however, promises to reduce variable costs significantly..."

"Both companies perform similar discounting calculations to weigh the advantages of the proposed investment. They arrive at opposite conclusions because of the differences in the hurdle rates employed and in the importance placed on maintaining competitive vigour..."

"Company B, once its new equipment is in place, quite naturally proceeds to compete aggressively for market share by lowering prices. Its new manufacturing process, after all, gives it much lower variable costs and requires high production volumes for maximum efficiency..."

Economic Decline" in 1980 (with William J. Abernathy) and "Why Japanese Factories Work" in 1981. Both have already had a considerable influence on the business world, abroad as well as in the U.S.

Hayes and Garvin argue that the various discounting techniques rest on arbitrary assumptions about profitability, asset deterioration, and external investment opportunities. They believe that much of the decline of investment in capital stock is the result of misconceptions about the changes that have taken place in these three critical variables over the past decade.

American managers have acted as though these variables have been tending to make direct reinvestment in their existing businesses less and less desirable, comment Hayes and Garvin.

Can Company A respond? Its outdated equipment places it at a distinct competitive disadvantage. Moreover, its competitors' price reductions have so reduced the profitability of its existing business that the investment required to upgrade its facilities looks even less attractive than before...

"Many American companies today find themselves in a position much like that of Company A. The problem is not that reliance on discounting techniques inevitably leads to inaccurate results but rather that managers can all too easily hide behind the apparent rationality of such financial analyses while sidestepping the hard decisions necessary to keep their companies competitive..."

Hayes and Garvin argue that companies often become trapped in this sort of "disinvestment spiral"—deferred investment leading to reduced profitability which further reduces the incentive to invest.

they usually address only the asset side of the balance sheet. They adjust their profits downwards by recalculating the value of inventories and the cost of asset replacement, but they rarely also acknowledge that their long-term debt also declines in value during an inflationary period.

Despite executives' perception of a decline in profitability, and their recognition of an increase in the rate of deterioration of their companies' assets, Hayes and Garvin say that managers have failed to make a corresponding reduction in the hurdle rates they use for new projects in the capital budgeting process. These rates are typically quite high, they say, often in

the range of 25 per cent to 40 per cent, and there is some evidence that they have been on a rising trend over the past decade; a recent survey, for example (which the authors do not name) showed that about a quarter of American manufacturing companies required expenditure on the modernisation and replacement of equipment to pay off within as little as three years.

Yet the hurdle rates used by many companies "bear little resemblance either to their real cost of capital... or to the actual rates of return... that they can reasonably expect to earn from alternative investments." (These are the two bases on which companies calculate discounting and hurdle rates—as Hayes and Garvin point out, there is disagreement over which approach is better.)

comparisons are especially difficult to make if the alternative projects under review have different lifetimes. Narrow use of the present-value criterion will, for example, almost inevitably support the expansion of an existing factory rather than the building of a new one. The initial investment is normally much less, and the returns more immediate. But a series of such decisions "can lead to ponderous, outmoded dinosaurs that are easier prey for the smaller, more nimble and better-focused plants of competitors."

The threat implicit in discounting techniques also extends to the very ability—and willingness—of managers to ward off the attacks of aggressive competitors; maintain Hayes and Garvin, using the example shown in the inset.

In sum, present-value calculations "support a decision to operate on the goose and remove some of its golden eggs prematurely, even though doing so impairs its future egg-laying ability," say Hayes and Garvin.

As their "logic of disinvestment" example shows all too clearly, it is not only the goose's burden too high may end up being killed off by the competition, or eaten alive.

As if all this was not enough, Hayes and Garvin argue that there are other ways in which discounting methods are biased against investment in new capital stock.

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Who gets most in Europe

WHILE THE pay of top managers in Europe generally kept ahead of inflation in 1981, French managers alone show signs of restraint, according to a new survey.

The study, carried out annually by Management Centre Europe, part of the American Management Association's organisation, covered around 3,600 main board directors.

Despite their apparent sacrifice, top French managers are still among the most highly paid in Europe.

At the group level no basic changes in league positions were uncovered by the study. Top managers in Switzerland continue to earn the highest salaries with British managers languishing on the bottom rungs of the ladder of the most industrialised European countries.

The survey shows that top managers' salaries in Switzerland increased by 7.5 per cent. A chief executive there now earns a basic \$93,000. On top of this he may earn \$26,000 in bonus payments and the equivalent of \$22,000 in perks.

Other main board members—including marketing, manufacturing finance and personnel directors—all earn between \$56,000 and \$64,000 basic with an additional \$20,000-odd in bonus payments and perks.

Comparable salaries in the UK are generally just over half as much in spite of a 12 per cent increase last year. A British chief executive now earns around \$56,000 with an additional \$28,000 in bonus payments and perks.

Lower down the scale, marketing, manufacturing, finance and personnel directors earn between \$30,000 and \$38,000 with bonus payments and perks amounting to between \$12,000 and \$15,000.

Top executives in Germany, Belgium, Denmark and Holland all earn more. Only their counterparts in Italy, Finland, Greece and Portugal earn less.

Taking all the countries surveyed the ranking order of directors seems to be similar. After the chief executive, the marketing director is the next highest paid, followed by the finance director and then either the manufacturing or personnel director.

"Top Management Remuneration—Europe 1982", published by MCE, avenue des arts 9, Brussels. Price Bfr 14,800 plus postage.

Arnold Krausdorff

TOP MANAGEMENT PAY 1981 (Including Bonus Payments and Perks)

Table with 5 columns: Country, Chief executive, Marketing director, Manufacturing director, Finance director, Personnel director. Rows include Belgium, Denmark, Finland, France, W. Germany, Greece, Italy, Holland, Norway, Portugal, Spain, Sweden, Switzerland, UK.

* Not available. Source: Management Centre Europe

Business courses

Foreign Exchange, London. Part A June 16-17. Part B June 23-24. Fee: Part A £380 (plus VAT), Part B £280 (plus VAT). Details from Conference Secretary, Weiswiler Aides, 1 Hillside Road, London W8 7LE

Office of the Future, Brussels. June 28-30. Fee: Bfr 32,000 (non-members), Bfr 36,000 (members of the International Management Association). Details from Management Centre Europe, avenue des Arts 9, 1040 Brussels, Belgium.

Changing Manufacturing Strategy in the West—the Key to Success in Japan. London. July 6. Fee: £120 (plus VAT) non-members, £140 (plus VAT) members of the British Production and Inventory Control Society. Details from Seminar Secretary, BPICS, 3 The Square, London SE7.

Sawbridgeworth, Hertfordshire. Profitable Time Management. London. July 29-30. Fee: £180. Details from Tack International, Tack House, Longmoore Street, London SW1V 1JF

The Marketing of Training Services within your organisation. Uxbridge. July 12. Fee: £110. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex.

Marketing in Foenis, Slough. June 21-23. Fee: £640 (plus VAT). Details from The Registrar, Uxbridge Management Centre, Stoke Poges Lane, Slough Berkshire, SL1 3PF

In-House Insurance Administration, London. June 24. Fee: £98 (plus VAT). Details from Finborough Seminars, 364 High Road, Woodford Green, Essex IG8 0XK

Tax Saving in Your Business, London. June 18. Fee: £12.50. Details from Thames Enterprise Agency, 19 Penhall Road, London SE7.

CONTRACTS AND TENDERS

PERUSAHAAN UMUM LISTRIK NEGARA AGENCY OF THE MINISTRY OF MINES AND ENERGY OF THE GOVERNMENT OF THE REPUBLIC OF INDONESIA

INVITATION TO BID

Tenders for the mobile plant and services associated with the new 2 x 220 MW coal-fired Surabaya Steam Power Plant near the town of Marak in West Java will be received on or before 16.00 hours on 2 August 1982 for public opening at 11.00 hours at the Head Office of Perusahaan Umum Listrik Negara, Jalan Trunojoyo Blok M/135, Kabayoran Baru, Jakarta, Indonesia.

The contract embraces the design, manufacture, supply, assembly and the commissioning of mobile plant and provision of services for operator and maintenance training.

The Mobile Plant and Services comprise the following five (5) packages: Package 1: Two (2) Mobile Coal Scrapers

Package 2: Two (2) Mobile Tracked Bulldozers

Package 3: Two (2) Rubber Tyred Bucket Loaders

Package 4: Two (2) Ten Tonne Tip Truck One (1) Five Tonne Tip Truck One (1) Three Tonne Tip Truck One (1) One Tonne Pickup Truck Two (2) Personal Cars

Package 5: Two (2) Fire Appliances One (1) Inspection Platform One (1) One Hundred Kilowatt Generating Sets One (1) Mobile Vacuum Fleet Two (2) Botany Chargers Five (5) Transmitters

Tenders may quote for a single package or all or any combination of packages. The owner reserves the right to award the contract for a single, all or a combination of the packages to a single tenderer.

Beginning 3 June 1982 the tender documents may be examined and upon payment of the non-refundable amount of Rp 150,000 can be obtained personally by the tenderer or through their agent in Indonesia at the following address:

PERUSAHAAN UMUM LISTRIK NEGARA Directorate of Planning Jalan Trunojoyo Blok M/135, Kabayoran Baru Jakarta Indonesia

To qualify for an award, tenderers shall have successful experience in design, manufacturing and supply of the mobile plant for which tenders are submitted.

Perusahaan Umum Listrik Negara has obtained a loan from the International Bank for Reconstruction and Development and will repay the proceeds of this loan to payments under this contract.

Only manufacturers residing in member countries of the International Bank for Reconstruction and Development and who have local sales agents and after sales services in Indonesia are eligible to participate in the tender.

Perusahaan Umum Listrik Negara reserves the right to reject any and all tenders and may waive minor irregularities and informalities.

Jakarta, 24th May, 1982 PERUSAHAAN UMUM LISTRIK NEGARA

INVITATION TO TENDER

Telecommunications Extensions/Reinforcements for the Zimbabwe Power Network. Specification No N37.3/478

Invitations will shortly be issued to tender for the design, manufacture, delivery, installation and commissioning of equipment to provide extensions and reinforcements of the telecommunications system of the Zimbabwe Power Networks. This will be in three parts comprising:

Part I: Power line carrier communications equipment including outdoor high voltage coupling equipment, voice frequency telegraph equipment, test equipment and associated cabling.

Part II: Fixed point-to-point VHF radio communications equipment with 24 channel multiplexing facility; outdoor steel tower radio masts and antenna systems.

Part III: Automatic telephone switching equipment utilising PAX, PABX and associated equipment for special applications; teleprinters and teleprinter switching/broadcast facilities; test equipment and associated cabling.

Tenderers may offer tenders for Parts I, II and III separately or collectively.

Tenderers must submit data with their tenders to enable an assessment of their qualifications and capability of performing the work. Tenders are to be accompanied by satisfactory information of this type will be rejected.

Firms who satisfy the above requirements and who are interested in tendering for the work described above are invited to apply for the enquiry documents in writing before 1 July 1982 to:

Merz and McLellan, Amberley, Killingworth, NEWCASTLE UPON TYNE, England, NE12 0RS. A copy of the application should be forwarded simultaneously to:

The Secretary, CENTRAL AFRICAN POWER CORPORATION, PO Box 630, HARARE, Zimbabwe.

A non-refundable fee of £250 will be charged for Tender Documents. Details of the Tender due date and lodging procedure will accompany the enquiry documents. Further information regarding the work can be obtained from Merz and McLellan at the above address.

Merz and McLellan Consulting Engineers

INVITATION TO TENDER

Computer Based Control System for the Zimbabwe Power Network. Specification No N37.3/482

Invitations will shortly be issued to tender for the design, manufacture, delivery, installation and commissioning of a computer based supervisory control system for the Zimbabwe power networks. The control system shall comprise a dual computer configuration at the Master Station controlling about 100 microprocessor based remote terminal units (RTUs). The enquiry shall include for the computers, all associated peripheral equipment, uninterruptible power supply system, RTUs and the appropriate software which includes for a number of advanced special application functions.

Three separate control rooms will be incorporated at the Master Station which will be incorporated in a new purpose designed building forming part of a separate contract. The RTUs will be housed in existing sub station buildings.

Tenderers must submit data with their tenders to enable an assessment of their qualifications and capability of performing the work. Tenders not accompanied by satisfactory information of this type will be rejected.

Firms satisfying the above requirements and who are interested in tendering for the work described above are invited to apply for enquiry documents in writing before 1 July 1982 to:

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Merz and McLellan Consulting Engineers

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All previously drawn bonds were paid.

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COLNAGHI, 14, Old Bond St., W1, 01-491 7408. MON-FRI, 10.30-6.00. SAT, 10.30-5.00. SUN, 11.00-5.00. THURS, 7.00-10.30.

COVEN GARDEN GALLERY, 20, Russell St., W.C.2, 01-236 2122. A Selection of Cooperative and Interesting Early British Watercolours and Drawings, until June 4th, 10.30-5.30, Thurs, 7.00-9.00, 10.30-12.30.

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WANDSWORTH BOROUGH COUNCIL

Renewal of individual heating systems at Battersea Contractors wishing to be considered for selection to tender for the installation of heating 76 dwellings in two blocks (Shepard and Gagarin Houses) on the Winstanley Estate, S.W.11 should submit names to the Director of Administration, The Town Hall, Wandsworth High Street, London, SW18 2PU by 17th June 1982.

The works will involve the removal of the existing gas-fired warm air units and the installation of independent gas-fired boilers serving radiators for individual dwellings. The contractors will be required to complete all associated builders' and electrical works.

It is anticipated that specifications and drawings will be issued by the Acting Director of Development to selected contractors in July 1982 and that the contract will commence in August/September 1982.

Applicants must submit details of labour, technical and supervisory staff available, together with the names and addresses of two technical and two financial referees, unless this information has already been provided for a similar contract in the last 12 months.

The engineering design for this scheme will be provided by the Council's Acting Director of Development, The Town Hall, Wandsworth High Street, SW18 2PU.

Handwritten signature or note at the top right of the page.

THE ARTS

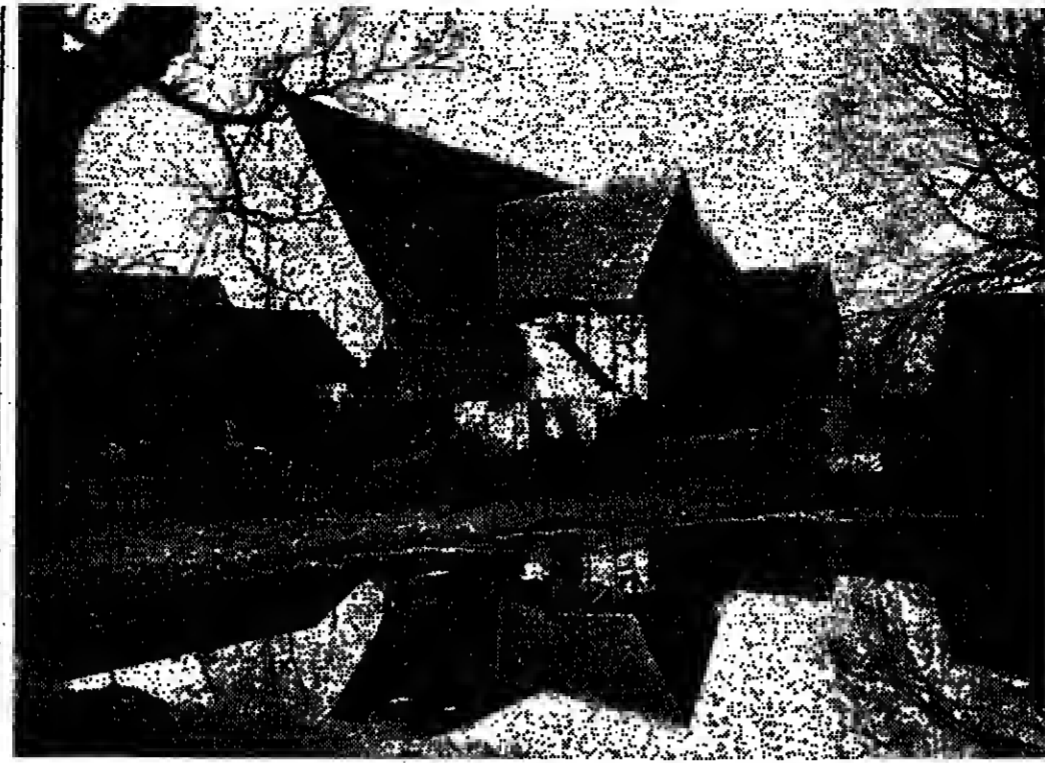
Cambridge

Hedda Gabler

by MICHAEL COVENEY

It was once said of Homer that the lead role was a hoop through which every young actor of serious ambition would sooner or later jump. The same could nowadays be said of Hedda.

Lovborg's manuscript is centre stage, an ornate pillar rising out of it to the ceiling. This is no place for living. Miss York conveys the impression immediately that she has made a terrible mistake in marrying the academic Tesman (Ralph Bates).



14th century stone barn at Bredon in Worcestershire under repair after a fire—donations to the National Trust

Architecture

Diversions by the book

by COLIN AMERY

The prospect of another Bank Holiday, this one falling some where between Argentine National Day and the birthday of the Vans di-Perruan Agones in Malaysia, does turn the mind to thoughts of agreeable countryside diversions.

she explored the social experiments in both historical and architectural terms, the Farm book examines the whole idea of the farm in the nation's history. It is a big subject and it is Miss Darley's discipline as an art historian that defines some of the parameters.

500, but be is a perceptive walker who is not in the game for reasons of fitness or physical prowess. He is not a preservationist but an observer of the processes of life in the landscape and it is this that makes him such a good companion.

ICA

The Execution

An historical epic may be expected to enlighten us on some aspect of past events. The best of the genre can offer new angles of approach, and stimulate the appetite to learn more.

rhetoric and familiar maxims really take twice as long to say anything as we do. Their tedious speeches are delivered in very correct, clipped English without the slightest elision to deflect from the period forgiveness.

Festival Hall/BBC-2/Radio 3

Horowitz by DOMINIC GILL

Nineteen - eighty - two has already proved an outstanding vintage year for pianists - in the first six months alone London will have heard Alexeyev, Ashkenazy, Barenboim, Bolet, Broedel, Cherkassky, Curzon, Gilels, Lupu, Michelangeli, Oussif, Perlman, Pollini, Serkin and Zimmerman.

formance he sounds larger still. Saturday's musical event, with its Royal Presence, splendid host of Royal Opera House Appeal 5100-ticket holders, and a score of TV cameras in attendance, was somewhat liable to be overshadowed by the Occasion. Not everything in it was pure vintage Horowitz.

wash of pedal and echo effect, a single unbroken line of melody outpoured. The fluid, floating rubati of his Schumann Kinderzenen spoke eloquently of an age of pianism nearly past.



Vladimir Horowitz rehearsing at the Royal Festival Hall

Malvern Festival

Shaw and Maugham

by B. A. YOUNG

Before the play runs into farce with the entry of Mrs George, Shaw's Getting Married has aired seven or eight important criticisms of Anglican marriage.

sounds like the Denning family.) Judy Geeson is seductive as Reginald's young wife, so nearly parted by divorce, so determined to go on looking after him; and Karen Ford as the marriageable Edith projects the image of a devoted young reader of the Guardian's Women's Page.

American women married to complaisant noblemen and supporting young lovers, is almost beyond our belief today. It certainly seemed beyond some of the company's belief; they play it for drama rather than for truth, and Maugham's crisp dialogue tends to lose its wit under the waves of emotion.

THEATRES

AMERICAN THEATRE: 5.30-7.30. Credit cards. 310. AMERICAN THEATRE: 5.30-7.30. Credit cards. 310. AMERICAN THEATRE: 5.30-7.30. Credit cards. 310.

1982 business sponsors of the arts awards

The Association for Business Sponsorship of the Arts has announced the 1982 Awards Scheme in association with the Daily Telegraph.

Washington Ballet's European debut

The Washington Ballet will make its European debut in July at the Festival of Two Worlds at Spoleto, Italy, with four performances featuring the works of resident choreographer, Choo San Goh.

Cannon and Ball for Christmas

The first London Christmas show has been announced - Cannon and Ball are to head a spectacular at the Dominion Theatre from December 16 for seven weeks.

Restoration of 'Last Supper'

Olivetti has announced plans to finance the cost of completing the restoration of Leonardo da Vinci's Last Supper. Managing director Carlo de Benedetti said his company would spend whatever it takes to restore and protect the 484-year-old fresco.

F.T. CROSSWORD PUZZLE No. 4879

ACROSS 1 Provide drink with a twist (6) 2 Attractive feature of a Pole? (8) 3 An egg I cracked is maturing (6) 4 Parasite that an airfield is likely to have (6-2) 5 Phalanx found on foot (8) 6 Fixed a place for horses (6) 7 Animal returning in a rush (4) 8 Our title in explosive military display (10) 9 Amphibian fire-fighter? (10) 10 Retain in part of castle (4) 11 Trying to make first-class pottery (6) 12 Domestic play on words from the south, or just a rough yarn (8) 13 Fast frozen water left, but it enables a tree to breathe (8) 14 Food, we hear, in instalments (6) 15 Lee's last arrangement for part of a mosaic (8) 16 Lean from tavern in space (6) 17 Down 1 Talk superficially on second subject (7) 2 Fragmentary part of course, or courses (9) 3 Ten ill unnaturally, and having little pulse (6) 4 A container left open (4)

A crossword puzzle grid with numbers 1 through 30 indicating the starting positions for the clues. The grid is a standard crossword format with black squares for non-letter positions.

FINANCIAL TIMES

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Monday May 24 1982

FOREIGN EXCHANGE DEALS

Sheikhs of the currency markets

By David Marsh

Brussels: a way forward

TODAY'S MEETING of the EEC foreign ministers in Brussels will inevitably be overshadowed by events in the Falklands. Support for Britain, which began a week ago, may be put under further strain by the escalation of the conflict. Yet the British leading is consistent with the Government's position from the start — that force may, in the end, be the only way of securing the withdrawal of the Argentine troops.

EEC Governments cannot be in any doubt that Britain has been negotiating in good faith for a peaceful settlement. But they will need to be reassured about Britain's continuing willingness to seek a solution which, while in no sense rewarding aggression, does not leave the Falklands as a running sore to relations between Europe and Latin America.

We hope that continued support for Britain over the Falkland Islands will be accompanied by an attempt on the part of the EEC as a whole to repair the damage caused by the fiasco over farm price increases.

It is a good sign that the moderate language used after Britain, Denmark and Greece were voted down last Tuesday, has been toned down since. But much thinking needs to be done both about immediate issues and, more important, about the nature and future of the Community.

The foreign ministers have the opportunity to get on with that task. The Community budget with the British claim to a rebate of London's contributions, is on the agenda. It is here that the important British interests really lie — out to the details of farm pricing. Skilled diplomacy and tolerance on all sides could repair much of last week's damage.

Korean finance under strain

South Korea's President Chun Doo-hwan has moved promptly to limit the political fallout from a financial scandal. It erupted two weeks ago in the country's unofficial "kerb" market and has since spread the taint of corruption from bank presidents and business executives even to one of his wife's relatives.

In accepting the resignations of half of his 22-member Cabinet, as well as those of senior members of his own political party and of top banking officials, the President has done all that anyone calling for heads to roll could expect.

His decision to retain his two most senior economic ministers, though he has said he holds these two men morally responsible for the scandal, underlines the fact that he must now shift his attention to the root causes of the problem in the country's financial sector and to the damage done to Korean industry. The President acknowledged at the weekend that he needs his economic ministers to stay on to sort out the economic mess.

Illicit loan markets seem to be a commonplace in many developing countries where the enthusiasm to accelerate economic growth and industrial development has outpaced the ability to establish sophisticated financial institutions to meet their borrowing needs.

Nowhere is this dilemma more obvious than in South Korea. Rising from the ashes of the Korean war, the country has over the past 20 years achieved one of the fastest economic growth rates in the world. Successive Korean governments, keen to maintain a steady supply of reasonably cheap money to priority industries, have fixed interest rates at an artificially low level. This tempted many small savers to seek alternative, more profitable, places to invest.

At the same time, governments keen to restrain money supply growth and coaxed to limit the level of public borrowing found they could not reconcile these aims with industry's seemingly insatiable appetite for funds. Add to this

N THE foreign exchange trading room of at least one bank in the City, excited dealers are apt to shout out "Vroom, Vroom!" when the mighty Volkswagen rings up to buy or sell currencies—a signal that the dollar/D-Mark rate is soon going to move very fast.

High up in its Moorgate office block, British Petroleum has a high-flying finance subsidiary exchange department telling its dealers the time in Hamburg, New York and Sydney. BP needs to be on the ball 24 hours a day—for its currency trading turnover is now bigger than the Bank of England's.

State-owned Renault does not have to worry as much as other French companies about the Socialist Government's newly-tightened foreign exchange controls. Its international treasury operations are conducted from a high-flying finance subsidiary in Switzerland which is practically a bank. Along with foreign exchange and money market transactions, it also deals in Eurobonds.

It is not only the big multinational companies which have caught on to the over-riding importance of mastering the complex world of currencies. Mr David Brown, managing director of DJB Engineering, a £50m a year turnover manufacturer of construction equipment for export in Peterlee, near Sunderland, sums it up: "Until two years ago exchange rates were totally incidental. Now they're the most important thing in life."

Smaller companies like Mr Brown's may be able to do little more than bump along uncomfortably on the turbulence of the foreign exchange markets. They have at least been able to keep on an even keel by increasing the sophistication of their money management operations. Reuters, the international news and data agency, now has no fewer than 450 UK industrial companies linked to its electronic Mootor screens providing up-to-the-minute rates on fast-moving currency and credit markets.

Evo Oxfam, Britain's biggest charity group, made money last year by keeping funds in high-yielding dollar deposits—a practice increasingly favoured by company treasurers following the lifting of exchange controls in October 1979.

It is the large international corporations, however, which actually rule the waves. Perhaps 20 to 30 companies world-wide, led by the giant car, oil and chemical concerns, are powerful enough to move the foreign exchange markets through their individual dealings. If they are combined as often happens, given the "bandwagon" nature of the foreign exchanges, shifts of corporate funds can exert a frightening force. Now that the oil surpluses have dwindled bankers say that company treasurers have taken over from oil sheikhs as the new potentates of the currency markets.

The big corporate treasurers are now free of exchange controls not only in the UK but in most other big Western countries apart from France. They are unsupervised by

central banks, and preside over massive quantities of funds generated by their international trading and investment activities.

"Companies are free to do what they like. They are more free than the banks. We have limits on the amounts of our open positions—they don't," says one of London's most experienced foreign exchange dealers, Mr Ted Bradshaw, a former chief dealer at the Bank of England and now with the Hungarian International Bank. "We're frequently quite concerned by the indications we receive of the size of companies' open positions both in foreign exchange and in borrowings," says Mr Peter Wood, deputy treasurer of Barclays Bank International. "Of course, we can't know whether they can be set against fixed asset positions overseas or genuine trading transactions. We wonder whether the room for potential loss is always fully appreciated."

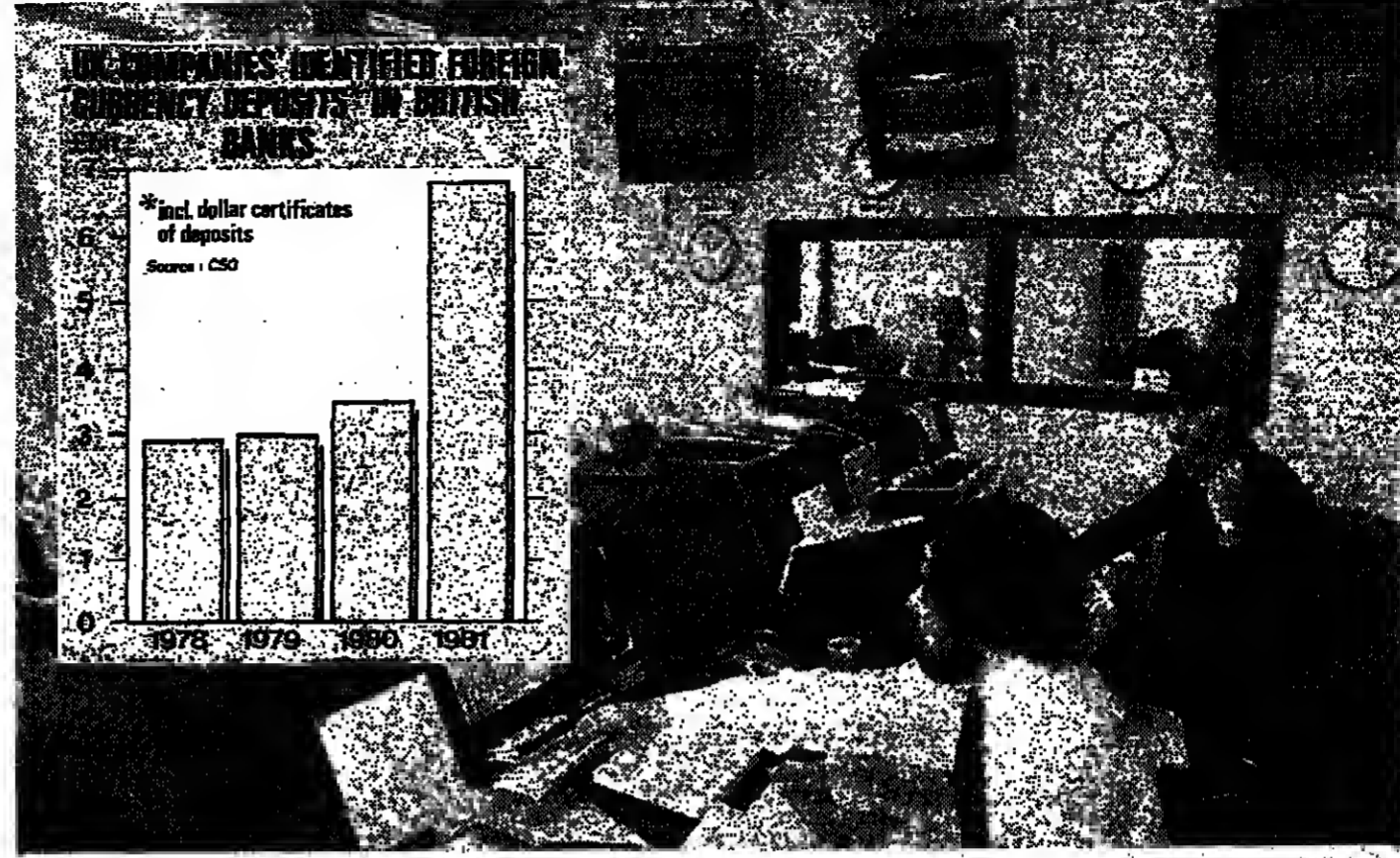
Certainly, companies are making increasing efforts to ensure that such operations are prudent. Boards of directors have been sufficiently unnerved by disastrous examples of unmatched currency operations—such as the Laker Airways fiasco—to insist on a close rein on foreign exchange activities.

"It's possible for companies to lose or gain more on the foreign exchanges than they can make to a whole year of trading," says Mr John Moolenaar, formerly a senior official in the exchange control department of the Bank of England, who now works on the cash management side at Imperial Chemical Industries. "Freddie Laker showed that—by not covering his currency debts properly."

Despite the warnings, some companies indulge in what can only be called speculation. Many treasury departments are

now staffed by a new breed of younger men, often with trading banks brought in to put dealing on professional lines. The phenomenon is not confined to Europe. The entrepreneurial currency activities of the big Japanese trading houses have earned them the title of "the black-eyed speculators" in Tokyo. A Japanese central banker comments wearily: "They will cause us trouble in the years ahead if we want to stabilise currencies. We can control the banks—but what about the non-banks?"

With capital investment often unattractive because of the recession, some companies have



Source: CSD

made a deliberate policy of deploying unused funds to play the foreign exchange markets. The primary, wholly legitimate reason why companies deal in foreign exchange is to provide protection against adverse currency fluctuations. But with treasurers reacting ever more quickly to news flashed electronically into their dealing rooms, the compounded effect of such transactions can, ironically enough, actually increase volatility.

Leads and lags—the process whereby companies speed up or delay payments of exports and imports in line with their perception of how foreign exchange rates will change—can build up enormous pressure on currencies within a very short space of time. The result is all the more pronounced when, in search of currency profits, a company

to anticipated movements in interest rates. Foreign exchange adventures often only come to the attention of shareholders if something goes wrong. But they can add to the worries of central banks trying to control currency fluctuations—and can alarm commercial banks which do not like to see their clients becoming too sophisticated.

It is an open secret on the foreign exchanges that VW has been watched carefully for some

time by the West German Bundesbank, although its more extravagant dealing activity seems lately to have slackened. The phenomenon is not confined to Europe. The entrepreneurial currency activities of the big Japanese trading houses have earned them the title of "the black-eyed speculators" in Tokyo. A Japanese central banker comments wearily: "They will cause us trouble in the years ahead if we want to stabilise currencies. We can control the banks—but what about the non-banks?"

With capital investment often unattractive because of the recession, some companies have

increases its dealing amounts beyond purely trade-oriented operations. According to the foreign exchange manager of one big U.S. bank in London, a big motor company may sometimes need to buy, say, DM 250m for normal business purposes and then add to it to profit from the resulting rate movement. The company says that if it's going to move the market anyway in a big way, why not buy DM 500m and have some fun?

Often the border-line between speculation and skilful dealing aimed at cutting costs can be paper thin.

"We take the view that it is not part of our remit to speculate," says Mr Daniel Hodson, finance director of Unigate. This company "in principle" covers its foreign exchange position entirely to eliminate risk. But it also follows the tactical approach of choosing the right moment to deal in order to save money, he says.

Mr Quentin "Q" Morris is director with responsibility for finance at BP International, whose department co-ordinates BP's foreign exchange trading—£4.32bn in London alone, carried out with 155 different banks, in the first three months of the year.

BP's foreign exchange business is centred on a three-way juggling act between European currencies like D-Marks received from petrol pump sales, dollars needed for oil payments and sterling used to pay UK taxes.

Our currency dealing is at least as important as our oil trading," says Mr Morris. "We deal in exactly the same way as a bank. We like to use our position intelligently without going overboard."

"It's no longer un-British to make money on the currency markets," observes Mr Chris Lyndon, treasurer of BL.

Ironically enough, the company's last significant profit—back in 1976—was due to currency profits resulting from sterling's fall that year. Since then, the foreign exchange policy has been changed. "We don't run large uncovered foreign exchange positions," he says. "There's enough risk anyway in running BL."

Mr Archie Donaldson, deputy treasurer of ICI—which together with BP is the biggest UK corporate operator on the London foreign exchange market—believes that the change is overdue. "Overall during the last few years my impression is that the banks have made money out of industrial companies. They used to make it out of the central banks; but now the central banks have become more clever. "Large corporations are now better able to defend themselves. But it's money, more likely that most companies don't take enough advantage of the possibilities that are there."

BL still actively uses its little-known Swiss currency dealing subsidiary to give "extra flexibility." BL's company, British Leyland International Services, is based like Renault Finance in Lausanne. Part of the reason for maintaining the company, set up at the end of the 1960s, is the seeking feeling that exchange controls might come back again. Also with an eye on exchange controls—French this time—Peugeot has set up a dealing company in Geneva to handle its international treasury operations.

Ford is also renowned for its financial sophistication. The Ford UK treasury team—in which Mr Michael Callaghan, the son of Britain's former Prime Minister, has a senior position—closely co-ordinates its world money-shuffling business with Ford Germany and the head office in Dearborn.

Ford is however thought to act in a less aggressive manner than some other car companies. "I don't regard it as speculation—it's good foreign exchange management," says one London banker who is close to the company. Corporate treasurers' activities—which some bankers regard as increasingly brazen—can sometimes cause friction with the banks. The difficulty is that the banks are, facing it that their customers are becoming more sophisticated than the people who are selling them the services," observes Unigate's Daniel Hodson—whose previous experience was with Chase Manhattan and merchant bankers Edward Bates.

The result of the greater expertise is that banks find it harder to make profits from corporate dealing. According to Mr Paul Hancock, who manages BL's day-to-day treasury operations, BL can use its size to obtain the finest foreign exchange rates from the banks. "Unless they give us the best rate, they won't get the business. We say the market rate isn't good enough—we can get that anywhere—and we want something better."

Until two years ago exchange rates were quite incidental. Now they're the most important thing in life.

Men & Matters

Money fun Because of the intrinsically sober nature of their business bankers are sensitive to suggestions that they can let their hair down as exuberantly as the rest of us. At the annual meeting in London at the weekend of the International Forex Association—the worldwide club of currency dealers—some eyebrows were raised at the idea that the meeting might even be the occasion for a massive jamboree. Well, I must in honesty report they worked hard and they had their fun as well.

The 2,000 dealer delegates did their best to look serious during coffee break at the star-spangled Caribbean Centre. Indeed, many of them refused to take their eyes off the racks of video screens specially set up for the gathering and lugubriously blinking out the latest details on U.S. interest rates.

Karl Otto Poehl, the refreshingly irreverent president of the Bundesbank, delivered the key speech and struck the right note with his audience by starting off with a couple of jokes about economists and sex. That juxtaposition of concepts pleased the audience enormously.

The dealers might have reverted to poker-faced depression, however, as the rest of the speech was largely taken up with a gloomy recital of world economic problems. To bring them back to a state ready to face the world again they tripped off yesterday for a day in the country at Hever Castle, Kent, with a programme including military bands, all-day bars, sheep dog demonstrations, Morris dancing, and jousting.

Foreign visitors gained a new understanding of the working of British banking minds by study of these typical weekend pastimes.

Back at the foreign exchange dealing desks this morning they

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Editorial production of this survey was by Mike Wiltshire; design by Philip Hunt.

INDIA

India today is in a state of transition. Attempts are being made to engineer basic changes to release the productive forces of the economy and thus break India free from the poverty trap

Big changes under way

BY ALAIN CASS, ASIA EDITOR

"WHAT WE need is another emergency. Then the trains run on time, people queued, civil servants arrived at work promptly and if there was corruption you never heard about it."

It comes as something of a shock to hear this kind of view expressed, not by the odd, isolated extremist in India, or even by the big business nabobs who may feel that democracy is a luxury that a developing country cannot afford, but by ordinary people.

What makes it even more shocking is that the very people who say so—an hotel receptionist in Kerala, a driver in Bombay, an office manager in Calcutta, to name but three—are the first to admit that when the real emergency was in force from 1975-77, they were among its bitterest opponents.

Of course, they do not mean it—or, at any rate, very few of them do, for the Indian is far too attached to democracy, and the free play which it gives his exuberance, to do without it.

It is, nevertheless, an interesting and illuminating slip of the tongue because it accurately reflects both the frustrations of getting things done today in the world's most populous democracy and the enormity of the task facing those such as Mrs. Indira Gandhi, the Prime Minister, who set about to improve matters through reform and change.

Balancing act

India today is in a state of transition. Beneath the surface of what outsiders are fond of calling "eternal India"—the land of caste and class, of extreme poverty and vulgar wealth, of sloth and soaring achievement—attempts are being made to engineer basic changes.

In essence, these changes, which form the core of Mrs. Gandhi's strategy since she came back to power in 1980, are concerned with releasing the productive forces of the economy in an effort to break India free of the poverty trap while, at the same time, finding a political formula for governing the country which balances the need for strong government from the centre with the demands for devolved power from the country's 22 states.

It is a delicate and frustrating balancing act in which too little authority from the centre allows

Neither is it apparently shrinking as a proportion of the total population.

This depressing picture at home, which Mrs. Gandhi inherited, is matched by an equally sombre international environment.

The Soviet invasion of Afghanistan in 1979 has prompted a new and important — the Indians say dangerous — commitment by the United States to Pakistan which involves substantial economic and military aid, including the F-16 deep penetration fighter aircraft.

Suspicion

The open score of relations with Pakistan remains the fundamental preoccupation of India's foreign policy. Pakistani and U.S. assurances that their new relationship is a strictly limited affair which does not involve the signing of American bases in Pakistan either now or in the future, are treated with grave suspicion in New Delhi.

Whatever the real basis for the mutual suspicions between Delhi and Islamabad, they have fuelled Indian defence spending on a massive scale in recent years, depriving the economy of resources, human and financial, which it can ill-afford to do without.

Added to this is India's constant pre-occupation with its dominant position in the area. This, it argues, is an important guarantee of stability, and requires an appropriate level of preparedness.

Such constraints do not make for smooth economic progress and political reform, though they do make both even more urgent.

Mrs. Gandhi has made an important start on the economic front, by introducing a series of sweeping changes which loosen the straitjacket of controls. These are aimed at liberalising imports, encouraging domestic companies to expand production and assisting the introduction of foreign technology.

The \$5.7bn loan from the International Monetary Fund, agreed in the teeth of fierce domestic opposition at the end of last year, was of enormous symbolic importance in this context as well as being of great practical value. So was the decision, in 1980, to allow



Mrs. Indira Gandhi, India's Prime Minister, is seeking a political formula for governing the country which will balance the need for strong government from the centre with the demands for devolved power from the country's 22 states

WORLD'S LARGEST DEMOCRACY

INDIA, with 686.2m people, represents the world's largest democracy. While 24 per cent live in urban areas, the vast majority live in the nation's 575,900 villages.

India's statistics are shown in graphic form on page III, but other basic facts include the following:

Area	3,136,500 sq km	Population of principal cities:	
Life expectancy	54 years	Ahmedabad	2.5m
Literacy rate	47 per cent (male); 25 per cent (female)	Bangalore	2.9m
GDP 1980	US\$159.8bn	Bombay	8.2m
Per capita Rs	1,256.8bn	Calcutta	9.2m
Trade: Exports 1981	Rs 62,540m	Delhi	5.7m
Imports 1981	Rs 119,800m	Hyderabad	2.5m
Foreign exchange reserves:		Kanpur	1.7m
December 1981	US\$3,764m	Lucknow	1.8m
Currency:		Madras	4.3m
₹=Rs 16.85; \$=₹9.2166		Nagpur	1.2m
Exchange rates:		Pune	1.7m
1980 average, \$=Rs 7.863		Major industry groups, employment percentage share:	
1981 average, \$=Rs 8.659		Food	16.8
		Beverages, tobacco	5.1
		Textiles	23.1
		Wood and paper	4.8
		Leather, rubber and plastics	3.8
		Chemicals	3.8
		Mineral products	4.3
		Basic metals	5.1
		Metal products	2.7
		Electrical machinery	3.9
		Other machinery	5.4
		Transport equipment	5.0
		Electricity	8.8

succeed her is beyond dispute. Whether she realistically believes she can, or should, establish a dynasty, is a matter of idle speculation.

However, Mrs. Gandhi today is not the Mrs. Gandhi of 1975. Chastened by her period out of office, a little wiser and no doubt sadder and less self-assured following the death of Sanjay on whom she relied a great deal, she gives the impression, at any rate, of being more willing to rely on conciliation rather than force.

Paradoxically, she is also in a much stronger position than she has ever been. The sad remains of what was once then Janata coalition, which ousted her from office in 1977, trying desperately and unsuccessfully to recapture its former glory, only reinforces Mrs. Gandhi's image as the only figure of national stature in India today.

Whether that remains the case will depend largely on how much she can achieve in the next few years.

Hawks gain ground as defence budget soars to record levels

R. K. SHARMA in Delhi examines the swift changes being made in India's defences, particularly the measures to give India an awesome air-strike capability.

The first of India's Jaguars (designed by British Aerospace), rolled off the assembly line at Bangalore's Hindustan Aeronautics in March and is due for its test flight in early June.

India is considering local production of the French Mirage 2000, in addition to the Soviet Mig 27 ground attack aircraft.

The Government has also given the go-ahead for the production of an entirely indigenous fighter, to be fitted with an advanced gas turbine engine, and coded the GTX.

In addition, the Army and Navy will soon be re-equipped with brand new weaponry, much of it made by India's 33 ordnance factories.

THE HAWKS are getting the better of the doves in India's defence planning. They received an unexpected impetus for their case on higher expenditure and purchase of modern sophisticated arms from Pakistan's U.S.-assisted rearmament programme.

The result is a massive defence budget of Rs 53,38bn (\$6.68bn) for 1982-83, or nearly 4 per cent of the GNP—the highest ever, so far—or 17 per cent of the total Government's expenditure.

Defence planning is always under constant review and the immediate result of the ground gained by the hawks is the pronounced tilt in favour of new foreign weaponry which is being acquired in vast quantities.

This is not considered by the Defence Ministry as a setback to the goal of self-reliance in defence equipment because the Government's policy is that any large purchase of arms abroad must be accompanied by the transfer of technology to enable India to manufacture them indigenously.

The next few years will thus see a swift change in India's defence capability. This change is particularly in air defence. The Defence Ministry is keeping its options open on the manufacture of the French Mirage 2000 (40 of which are to be purchased outright from Marcel Dassault), the MIG-23 and the MIG-27 from the Russians, in addition to the indigenous development of a new "light combat aircraft," possibly in collaboration with British Aerospace.

Thus, with the Jaguars bought from (and being assembled by) Hindustan Aeronautics, under licence from British Aerospace, India's air strike capability is truly awesome.

In the past year, the Defence Ministry says, the Government has carefully assessed the defence requirements "in the context of the recent developments in the security environment and has initiated a number of short-term and long-term measures to evolve appropriate defence strategy and to build up adequate preparedness."

The practical effect is that the one million-plus men in the Army, Air Force and Navy will soon be equipped with brand new weapons.

According to a senior Army officer, India is "pretty near invincible against its possible foes... but I wouldn't feel at all confident two years from now. The explanation is that the new weaponry gives a false sense of security simply because the process of teaching soldiers—mostly all from villages and semi-literate—takes time.

Nevertheless, the generals will have plenty of "toys" to play with.

Apart from the aircraft to be bought from France, Russia and Britain, the Navy is receiving submarines from West Germany (these will also be made at the Mazagon Docks in Bombay); a refurbished aircraft carrier, equipped with "Barriers," plus destroyers and frigates.

The Army is receiving an almost entirely new weapons

system—"The main accent in the defence plan continues to be on modernisation and replacement of equipment, on securing greater fire-power, mobility and more modern means of communication," says the defence ministry.

On defence production, the emphasis is on "self-reliance and import substitution."

If the Air Force is to receive all the modern aircraft it needs, the Army is as much in the forefront. A scheme is being implemented to increase its mechanical power, fighting potential and "kill-probability."

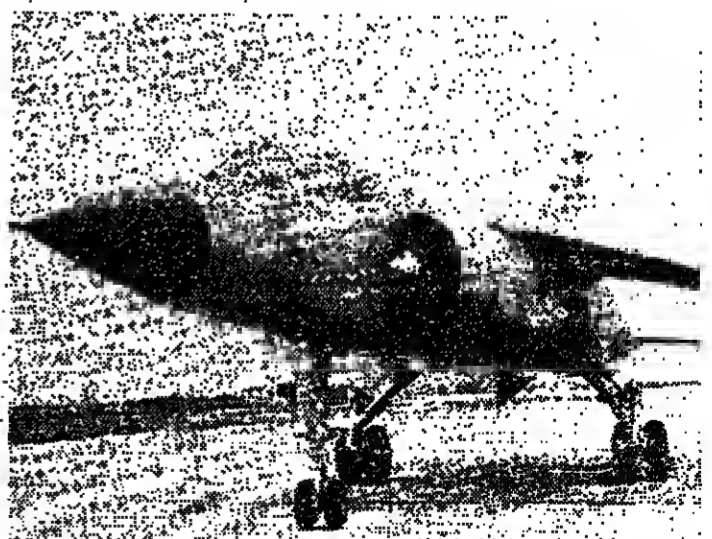
The most important of these developments is the improvement of the armoured corps which is to receive the latest Russian tanks (T-72) and will soon be equipped also with a new "main battle tank (MBT) developed indigenously and claimed to be comparable to be best in the world." Vikers, which helped to develop the Vijayanta tank (now made at a factory at Avadi in Tamilnadu), is trying to collaborate in this development.

The present anti-tank capability is strengthened by the introduction of a new anti-tank missile system with Soviet help and this will be manufactured later under licence. Several projects have been taken up for modernisation of artillery equipment.

Various kinds of foreign equipment are being evaluated—and again the Russians are in the lead—to meet the needs of the gunners until the year 2015. Air de-



The Jaguar fighter (left), now under production in India. The Mirage (right) is under consideration for local assembly



The Mirage (right) is under consideration for local assembly

Nine public sector defence undertakings

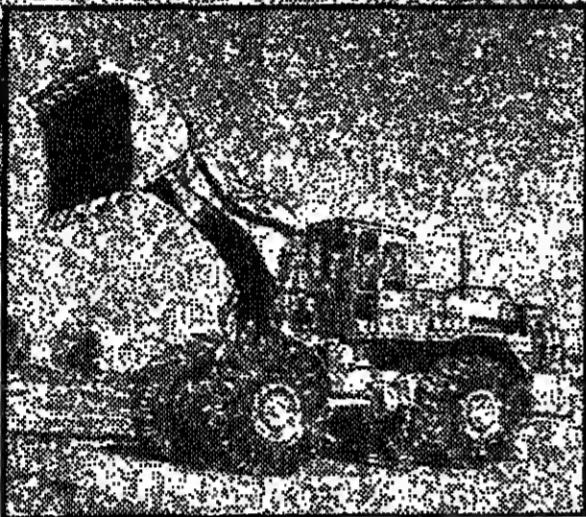
	Share capital and loans	Turnover 1981-82	Profits
Hindustan Aeronautics	Rs 16,58bn	Rs 2,46bn	Rs 42m
Bharat Electronics	Rs 390m	Rs 1,15bn	Rs 89m
Bharat Earth Movers	Rs 310m	Rs 2,1bn	Rs 98m
Mazagon Docks	Rs 300m	Rs 1,16bn	Rs 49m
Garden Reach Shipyard	Rs 630m	Rs 586m	Rs 79m
Gna Shipyard	Rs 338m	Rs 90m	Rs 4.8m
Praga Shipyard	Rs 125m	Rs 100m	Rs 12.6m
Bharat Dynamics	Rs 519m	Rs 29m	Rs 2.5m
Mishra Dhatu Nigam	Rs 1.5bn	†	†

† Figures not available.

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INDIA-II

THE ECONOMY

The Government is allowing market forces to have their play, with what is considered a minimum of controls. Policy-makers are now keeping their fingers crossed after some very encouraging results in the past year

Bold policies begin to pay off

"IT'S A bold gamble, but she will have to watch it," warns an international economist after observing Mrs Indira Gandhi successfully steer the Indian economy through rough seas in the past two years.

With danger signals sounding from every side, the Prime Minister and her advisers have adopted a deliberate policy of allowing market forces to have their play with what is considered a minimum of controls.

This is both in respect of internal policy (where private industry and foreign firms are seeing the greatest opportunity to increase their investment since the economy was virtually closed in the mid-1960s) and the external side. India has relaxed import restrictions despite a soaring trade gap and has resorted to external financing from the International Monetary Fund and the world money markets.

The result in the past year has been remarkably encouraging and the Government's economic policy makers are keeping their fingers crossed.

In 1981-82, the economy registered a growth rate of around 4 per cent after 7.5 per cent in the previous year, giving a high annual average of more than 5.5 per cent in the first two years of Mrs Gandhi's second spell in power.

Record harvest

This has been made possible by a record foodgrain harvest of an estimated 134m tonnes in 1981-82, combined with an improvement in industrial production of around nine per cent. These factors combine to end a period of stagnation caused by infrastructural constraints and is especially promising as the growth has been accompanied by a zero inflation rate—a remarkable piece of economic management that augurs well for the future.

Yet, the economy could come a cropper at any time. Mrs Gandhi has been lucky in having had two successive good monsoon years and so agricultural production—still heavily dependent on the weather—has been good.

But three good monsoons in a row are rare and India's farmers and economists will be watching the skies anxiously for the next two months. A poor summer harvest could mean a crisis because it will mean more food imports to bolster the stocks that are already at a low 11m tonnes, a level below that considered safe.

India made its first food imports in more than five years last year, despite the good harvest, these were limited to just over 2m tonnes.

Anything more than this will subject the foreign exchange reserves to severe strain and force the Government to review its liberalisation policy.

Mrs Gandhi's gamble is against the backdrop of the sharp reversal of the terms of trade since the Opec price hike

of 1979 which doubled the country's trade gap to Rs 57bn in 1980-81. This could reach a record Rs 60bn in 1981-82, despite a rise in exports by nearly 15 per cent.

The result has been a severe balance of payments crisis which is kept in check only with the help of earnings from "invisibles"—such as remittances from Indians abroad—and a massive aid and borrowing programme, both of which have now reached a plateau at a time when the international aid climate has deteriorated and world trade is depressed.

The World Bank has painted a gloomy picture of the current account deficits and expects these to plague India throughout the 1980s. The deficits are expected to be more than two per cent of the Gross Domestic Product for the first half of the decade and are expected to be the highest in 1983-84 when they could reach \$5.19bn, more than double that estimated in 1981-82.

Finance Ministry officials think this is an unduly pessimistic appraisal. They point out that India has already made substantial savings in oil imports because of a rapid growth in internal production from offshore fields, this is expected to continue because of new finds. Even though the investment costs will be high, the Government hopes to meet 70 per cent of its oil requirements from internal production of 1985.

The import substitution programme to areas such as oil, fertilisers, steel, cement and edible oil could be the key to improving the current account deficit picture. On it will hinge the continuation of the policy of liberal imports of capital goods, technology and raw materials needed to make Indian industry competitive so that exports can be boosted.

They will also help the acute problem of internal resources needed to push through the ambitious \$110bn Sixth Five-Year Plan for the period 1980-85. The success of this is vital if the country is to tread the path of real growth and break away from the traditional low average rise in national income of 3.5 per cent, the trend rate in the past three decades.

This will require Herculean efforts both in agriculture and industry, more so the latter because the "green revolution" has virtually spent itself. This explains the Government's anxiety to push up industrial production which has improved because infrastructural bottlenecks like power supply shortages, transport tangles and labour strife have eased.

But the improvement is marginal. In 1981-82, electricity generation increased by about 11 per cent and the coal production by around 10 per cent while the total revenue earnings from the railways improved by 14 per cent. This is by no means satisfactory and industrial production continues to be impeded.



Two good monsoon years in succession have helped to produce record foodgrain harvests. Above: village women at Chhainsa chat during an early morning visit to the well—one of several water-collections they make each day.

Power supply, in particular, remains critical because of the low capacity utilisation of thermal and hydro plants which is less than 50 per cent on an average all over the country. More than anything else, it is power supply that holds the key to a better performance of the economy and progress on this is ominously slow.

All this will eventually mean that, unless remedial measures are hastened, the strain on the foreign exchange reserves will grow because non-essential imports will have to continue. The reserves are declining alarmingly. They plummeted to Rs 33.5bn at the end of March, 1982, by 30 per cent in a year even though draws of over Rs 6bn were made from the IMF.

This represents a fall—if IMF withdrawals are not taken into account—of a massive Rs 20.97bn in a year, a record figure that must cause deep concern. The IMF is satisfied with the performance of the economy and recent consultations cleared the way for disbursement of the second year's instalment of the three-year \$5.7bn loan approved last year.

Imbalances

This is just as well. It means that not only will the coming year—possibly the next two years—be tided over, but also that the economy is being managed well and that the policies are yielding results. But both the IMF and the Indian Government acknowledge that there is need for the country to generate its own foreign exchange resources if the medium-term problems are to be tackled.

Apart from the balance of payments problems and the slow improvement in infrastructure, the World Bank has noted that there are serious im-

balances in agricultural growth both in regions and crops. It has pointed to the low productivity in many sectors of industry and the slow progress of irrigation projects. Also mentioned is the slowdown of population control measures. All this adds up to a grim appraisal despite the improvement in the past couple of years.

The Government has made strenuous efforts to rise resources for investment, including such long overdue measures as a more rational pricing policy for state-owned industries. Still a steep rise in mobilisation of resources is called for and this should be as much as 25 per cent of the GDP by 1985 if the sixth plan is to be carried through. Even after this the savings-investment gap is expected to rise from 5.3 per cent of the GDP in the Sixth Plan to 7.3 per cent in the Seventh Plan, a longer-term problem that must be tackled immediately.

At the moment some sectors of industry are complaining of a recession because of a credit squeeze. But economists think that fears of the emergence of a demand-induced recession in 1982-83 are exaggerated and in fact, the Government's policies are having a salutary effect on inflation.

The summing up must be that the indicators show a mixed picture and that the policy makers will need to be constantly vigilant to tide the country over its present situation. The Government has now decided to make a mid-term re-appraisal of the Sixth Plan. This should enable it to make suitable adjustments in investment decisions so that key sectors of the economy function more efficiently and reduce the pressure on the balance of payments.

K. K. Sharma

Renewed emphasis towards liberalising the economy

Substantial restrictions remain despite many recent reforms

IT IS often said that the radical departure in Indian economic policy since Mrs Indira Gandhi came back to power in 1980 is not due in her, but to the continued momentum of the influence of her son, Sanjay, who died in an air crash a year ago.

Since these new policies are also accompanied by a shift in foreign policy which effectively underpins the change in economic direction, this seems unlikely, even though Sanjay Gandhi is acknowledged to have been more instinctively a free marketeer than his mother.

There is another reason why the Sanjay factor should not be taken too seriously. It is that the moves towards liberalising the economy first broke surface in 1978 when the Janata Government, swept into power after the emergency a year earlier, freed the import of some capital goods, raw materials and components.

The result was an 8 per cent rise in industrial output and an 18 per cent jump in exports between 1978 and 1980. The lesson was not lost on Mrs Gandhi who took up the relay when she was returned to office giving it much greater impetus and considerably widening the scope of the reforms.

The continuity of this policy and its source are important because they indicate that there is a national consensus for

liberalisation outside the leftist parties—and that the process is likely to continue.

The only point at issue is the extent in which the loan from the IMF—the fund's biggest ever—was the cause in the accelerated liberalisation or merely part of Mrs Gandhi's wider strategy to release the moribund productive forces of India's economy.

Key factor

What is probably true is that India's deteriorating balance of payments problem in terms of trade has moved sharply against her were a prime factor in the application to the IMF, that in turn, has led to further liberalisation as part of the fund's conditions for the \$5.2bn loan.

The changes have been wide-ranging.

External borrowing: there has been a major change in policy. In fiscal 1981-82, the Government approved a record \$1.35bn in loans from the world money markets by public and private sector companies. The previous year's figure was \$75m.

Thirty-three companies received loans to import capital goods, finance projects and purchase ships and aircraft making India a major borrower of non-concessional loans for the

first time. A low level of borrowing in the 70s has established India a sound credit rating.

The level of borrowing is expected to rise at an even faster rate over the next few years. The IMF expects total debt service repayments including multilateral loans—to rise from the current level of around 8 per cent to a peak of 16 per cent in the late 1980s before falling again.

Prices: The relaxation of price controls on cement and steel. In the case of cement this has had a dramatic effect wiplog put at a stroke the bulk of the black market in cement and encouraging major industrial houses—the Birla Group for one—to invest in cement manufacture.

Price controls, it is estimated, had diverted as much as \$250m from the proceeds of black market cement into the parallel or "black economy." Much of this money is now expected to flow back into the legitimate economy.

Oil policy: The decision to invite bids from foreign companies to prospect for oil in India's off-shore fields in 1980 was a watershed. The terms since negotiated appear to have deterred many would-be clients but this does not change the nature of the decision which is a clear departure from the

vious policy of self-reliance.

Industrial policy: Both foreign and Indian companies, the so-called "monopoly large industrial houses," covered by curbs on expansion under two key pieces of legislation have been giving more breathing space.

Regulations under the Foreign Exchange Regulation Act (FERA) and the Monopolies and Restrictive Practices Act (MRTP) have been eased. Some foreign companies and monopoly houses may now invest in five major new areas. They can also expand their established capacity by a third provided their products do not compete with smaller units.

Import restrictions: These have been eased significantly liberalising the import of capital goods, raw materials and technology despite the alarming rise in the trade gap.

A new pragmatism has taken hold of Indian economic policy. Its first effects on the moribund and stunted industries of businessmen has been dramatic.

It remains to be seen whether that will be translated into results given the very substantial restrictions which still hold down expansion in huge sectors of the economy coupled with chronic inefficiency and a bureaucracy so cumbersome it is sometimes suffocating.

Alain Cass

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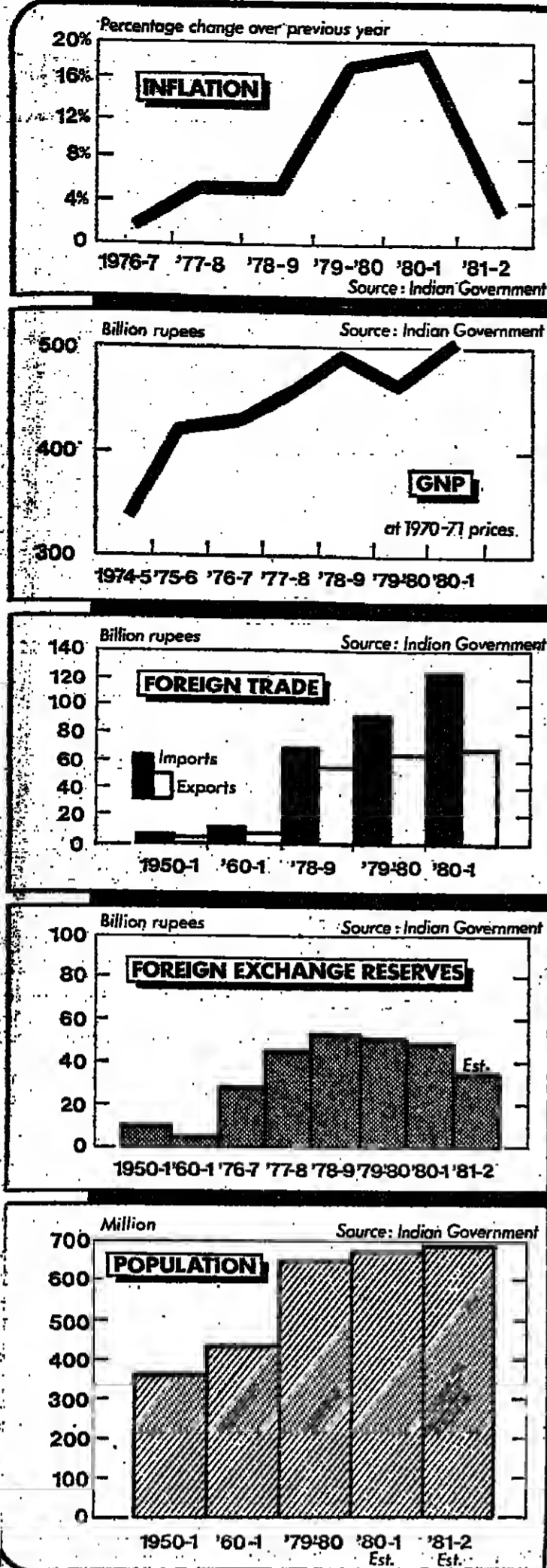
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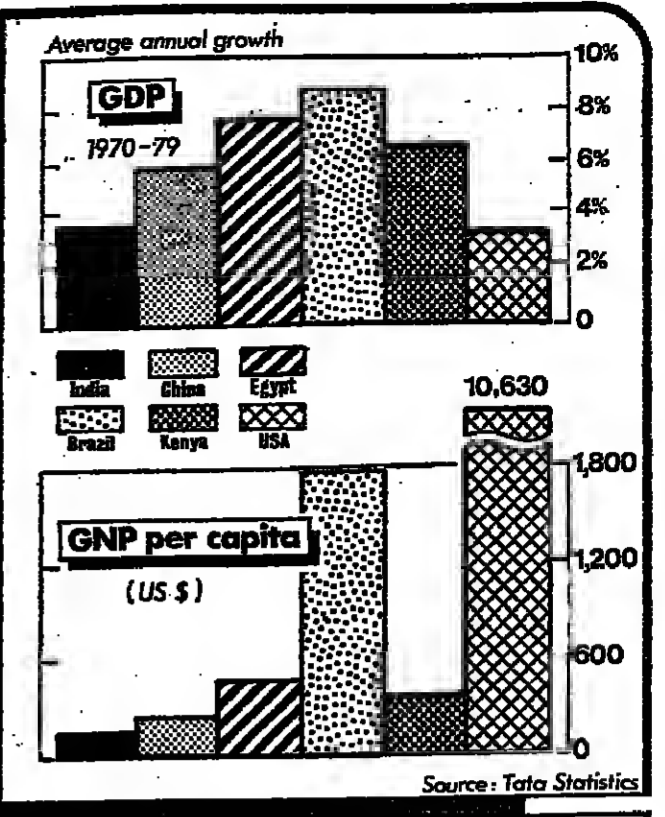
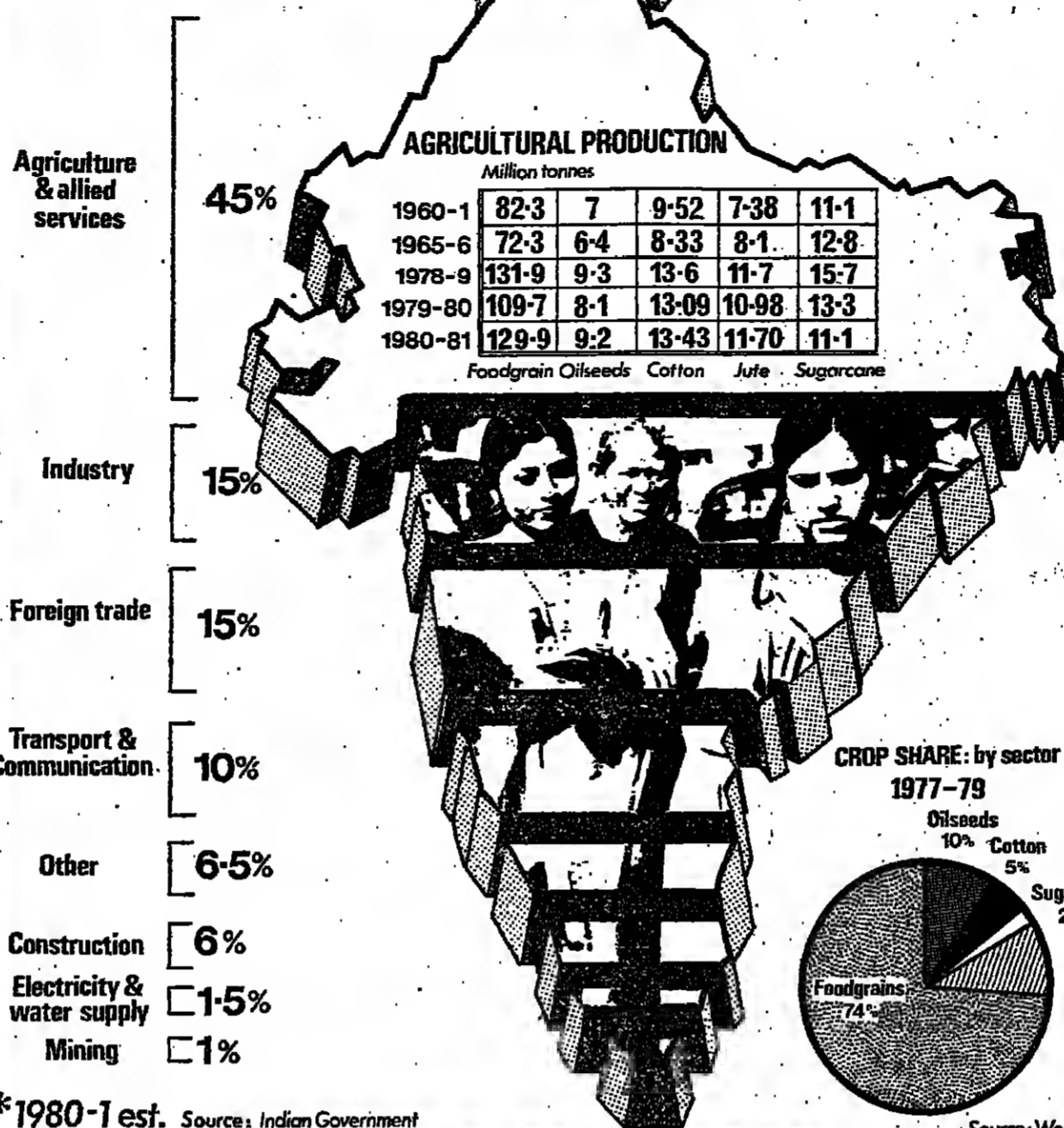


India: the vital statistics

Graphics by Brana Radovic

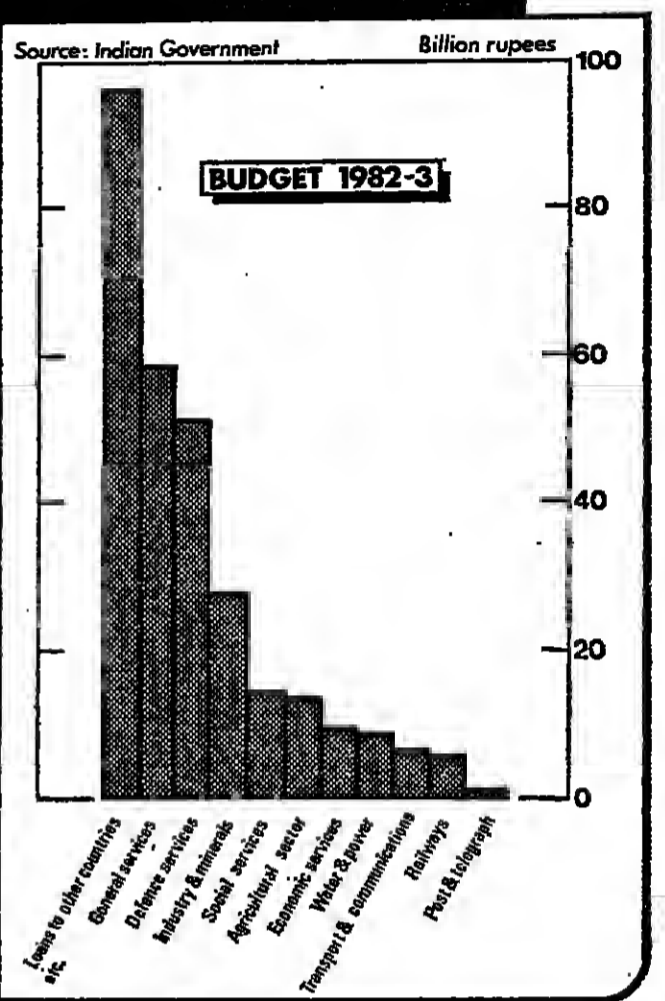


GNP: by sector*



PER CAPITA CONSUMPTION
Source: Tata Statistics

	INDIA	CHINA	EGYPT	BRAZIL	KENYA	USA
NEWSPRINT (Kg)	0.2	1.3	1.6	1.5	0.3	41.6
COAL EQUIVALENT (Kg)	242	835	545	1062	180	12350
CALORIES	2021	2453	2760	2562	2032	3576



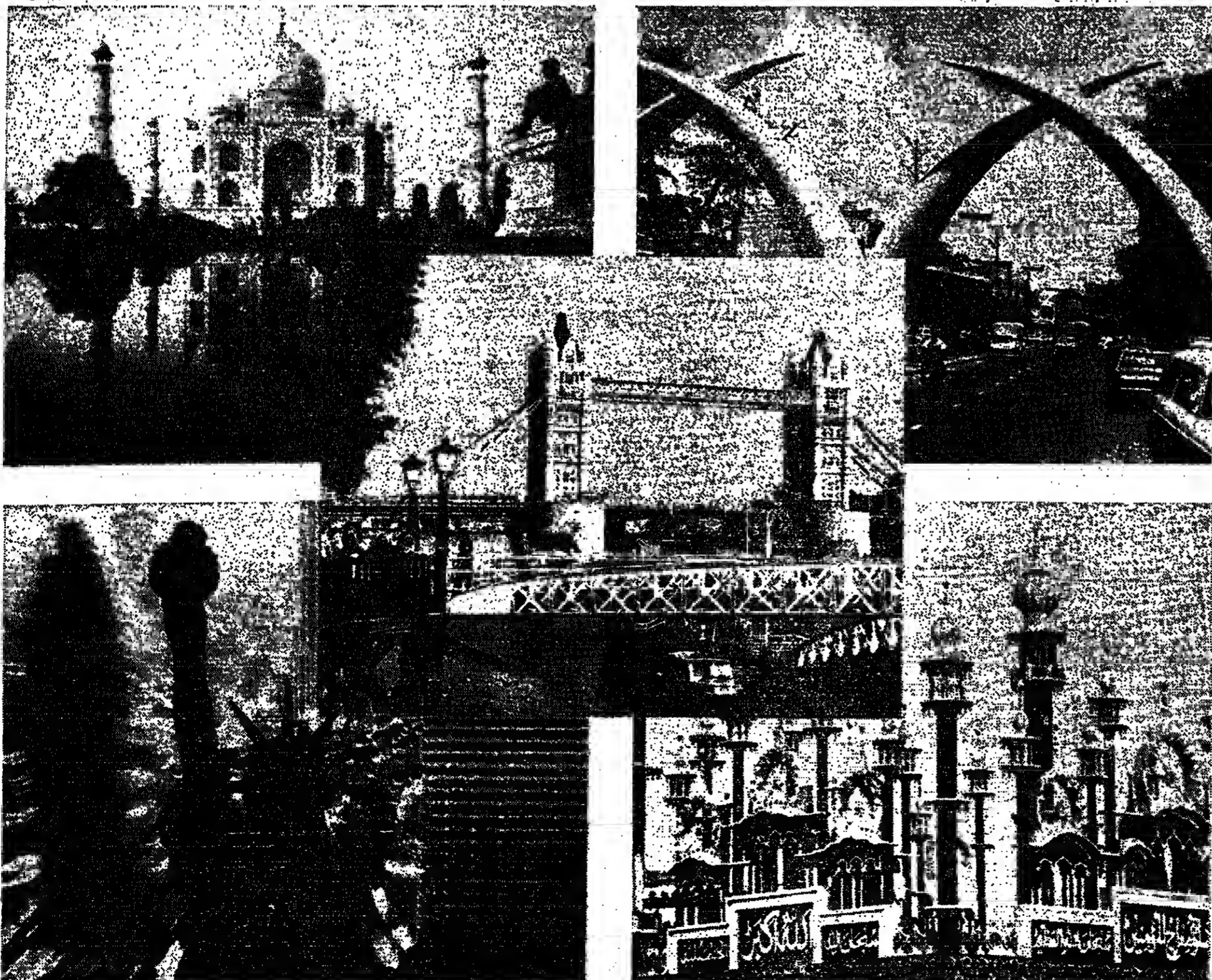
Access to a wide range of data

INFORMATION in India is abundant, accessible and generally accurate. The Government's Department of Statistics in the Planning Commission keeps data on the economy and provides a regular information service. This is matched by individual ministries at both central and state level. In addition, a number of private institutes, major corporations, industrial associations and other private bodies complement this service. The Tata handbook of statistics, from which a number of tables for this Survey are drawn, is perhaps the most widely used source, but there are others. This ease of access to reliable information tends to be matched with accessibility to officials, even

at the higher levels. The major problem is knowing who to see in order to cut through the equal abundance of red tape. That question is not quite so straightforward.



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INDIA-IV

ENERGY

Much of the energy industry's inefficiency lies in the electricity sector and losses in transmission or distribution average about 20 per cent, says Alain Cass

Keeping the power lines open

THE FANS in the fading post-imperial splendour of the Chief Minister's office in Trivandrum, Kerala, in South India are as big as Spitfire propellers. As we sit, within the space of half an hour, there are four power failures which bring their reassuring whir to a silent halt.

There is nothing unusual in this. In Bombay, the looms in the textile mills, flagships of India's export drive, often suffer the same fate, as does much of the rest of the country's industrial sector.

Even India's nuclear power stations, symbols of the country's remarkable ability to reach into the future while struggling with the past, run well below capacity because of power failures.

India is not unique in having an energy crisis. Unlike those in the West, however, it is not one of high consumption, but of low efficiency and insufficient production, by comparison to other countries' total per capita consumption in India is low, around 200 kgs of coal equivalent compared to 300 kgs in China, 5,900 kgs in Australia, a little less in the UK and twice that in the U.S.

Cutting back on that total consumption is neither practical nor desirable. It would merely stifle economic growth. The problem is the chronically inefficient use of that energy, on the one hand, and the relatively slow growth in the output of new resources on the other.

Loss varies

In 1978-79, according to a Government report, the percentage energy losses across the country in transmission or distribution varied from a maximum of 26 per cent to a minimum of 12 per cent. The total loss was in the order of 20 per cent which, as one energy expert points out, virtually equalled the power generated in the entire country 18 years earlier.

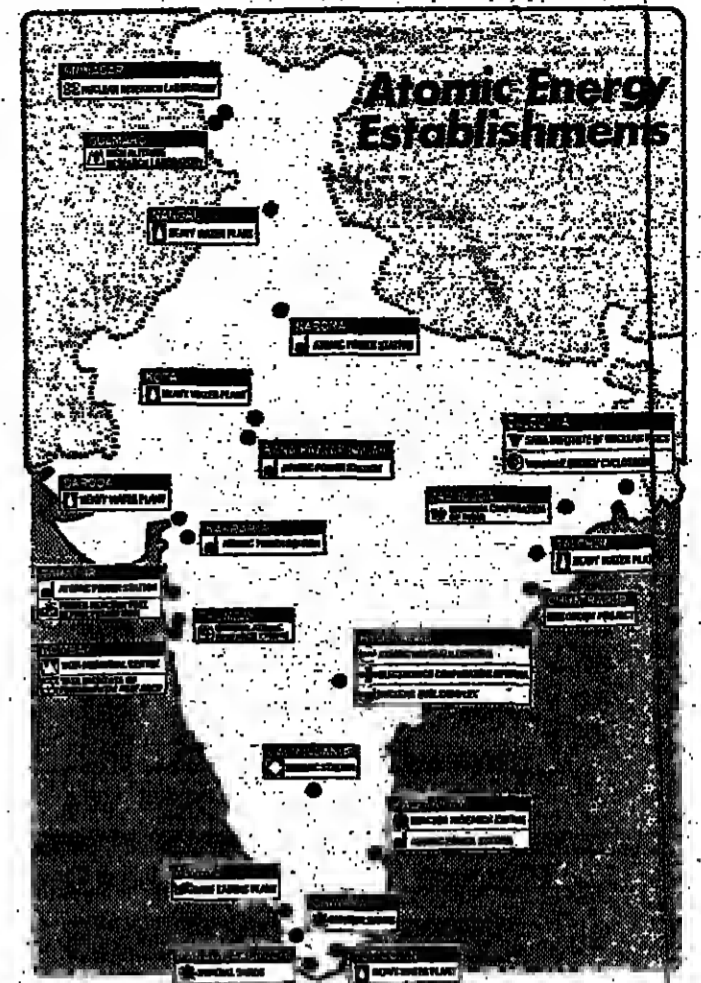
Much of this inefficiency lies in the electricity sector—the bulk of which is either thermal or hydro power. It is estimated that many of the country's plants operate at an average of less than 50 per cent efficiency. In some states between 40 and 60 per cent of that electricity goes to drive irrigation pumps. They, in turn, operate at an efficiency of between a low of 25 and a high of 60 per cent.

Perhaps the most dramatic effect of the inefficiency of the thermal power sector is in West Bengal where efficiency can be as low as 35 per cent. This chronic shortage has been a major factor in the gradual and apparently irreversible decline of what was once India's premier industrial state.

Particularly badly hit are the major steel plants and other heavy industries which are energy intensive. As a result, industry has installed over 400 MW of standby generators to bridge the gap.

The energy shortage is also the single most important factor for the virtual absence of major new investment in the state in the past decade.

One small victory in this picture of moribund oilium is the Cameroonian Corporation where a combination of careful



NUCLEAR PROGRAMME HIT

INDIA'S nuclear power programme has also been hit by the instability of the country's electricity supply grid. Existing power plants frequently have to shut down.

In addition, an acute shortage of heavy water for three of the country's four reactors, which are pressurised heavy water reactors and which are fuelled by natural (as opposed to enriched) uranium, has added to the problem.

The country's only enriched uranium plant at Tarapur has been hit by the fuel embargo, imposed by the U.S.

Mrs Gandhi may try to renegotiate a resumption of fuel supplies when she visits Washington in July.

Two new indigenous heavy water plants are being built to cope with the problem.

Nuclear power presently supplies less than three per cent of the country's electricity. The Bombay-based Atomic Energy Commission has plans to install capacity of up to 10,000 Mw by the end of the century. The present power reactors, which are capable of yielding by-product plutonium, will help to feed the planned second-generation fast breeder reactors.

India is fortunate in having a self-sufficient nuclear fuel cycle. The country's uranium resources are believed to be sufficient to sustain a generating capacity of 10,000 mw.

India also has large reserves of thorium which will be required for both the second and third generation reactors. The latter will be based on the self-sustaining thorium-uranium-233 cycle.

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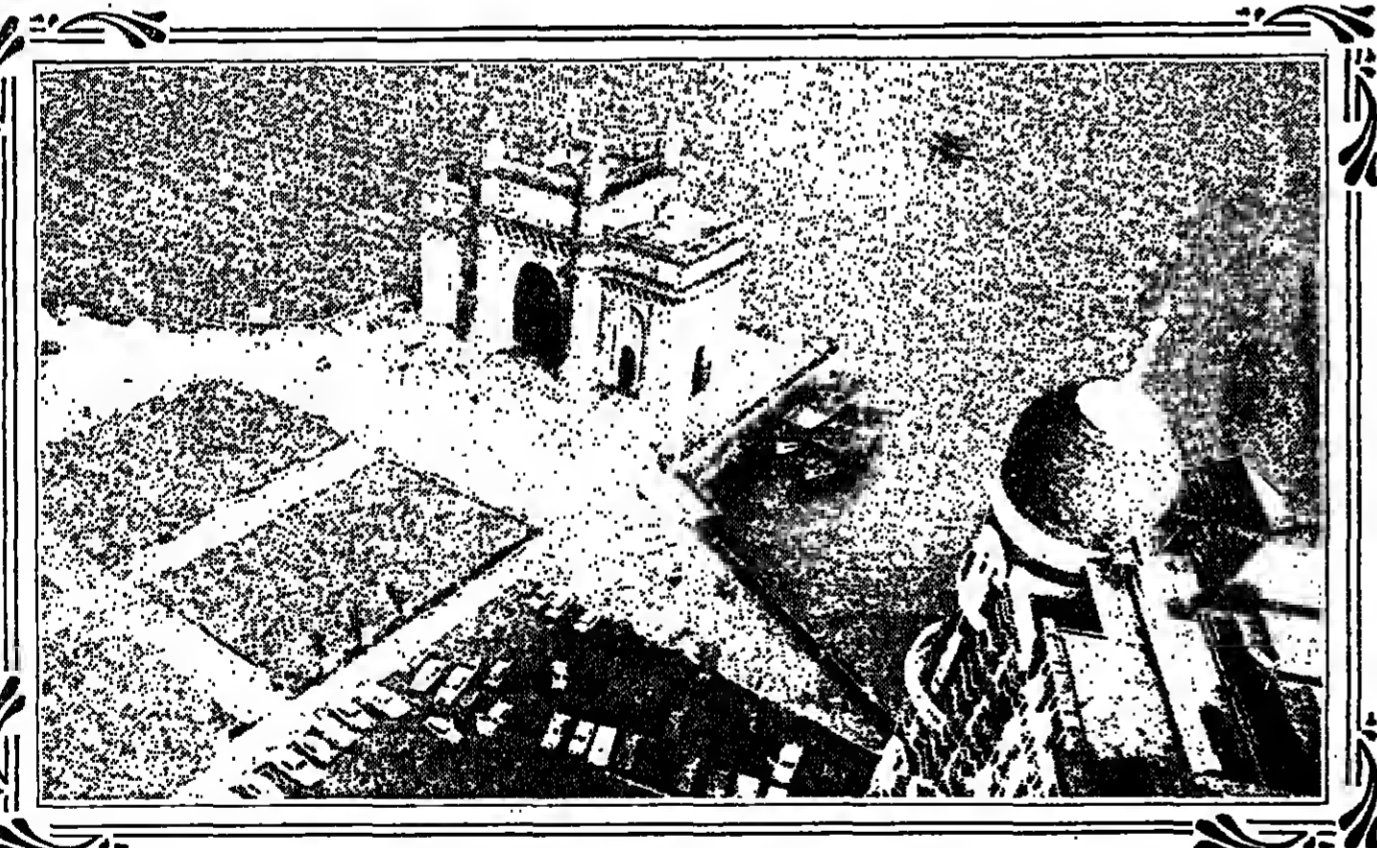
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A sense of history

INDIA

In 1903 arose the first of the Taj hotels. Built stone over beautiful stone, "the beautiful lady of Apollo Bunder" was adorned with exquisite chandeliers and all art rich in history. A decade later, King George V set foot on Indian soil on the steps of the commemorative "Gateway of India"—a monument that reflected the architectural magnificence of the Taj.

Such was the beginning of India's finest chain of hotels. At a steady pace were added legendary palaces, hotels in temple cities, resorts on historic sands, each imbued with the Taj tradition of hospitality.



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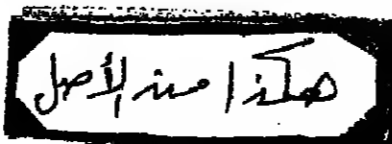
LONDON

The very same sensibility has guided the Taj Group in other lands. In London, it was only natural that the discerning eye of the Taj should fall on Bailey's and St. James hotels, two of the oldest hostels in the city.

St. James Hotel speaks eloquently of a resplendent era in fine Edwardian architecture. Six imposing buildings around a central courtyard—reminiscent of royal times.

Bailey's Hotel, built in 1880 by a Gentleman and Member of Parliament, is one of London's oldest hotels. With a historic and architectural significance and the charming ambience of Regency London.

Taj International Hotels



R. C. Murthy outlines projects based on natural gas

Rs 100bn investment plan

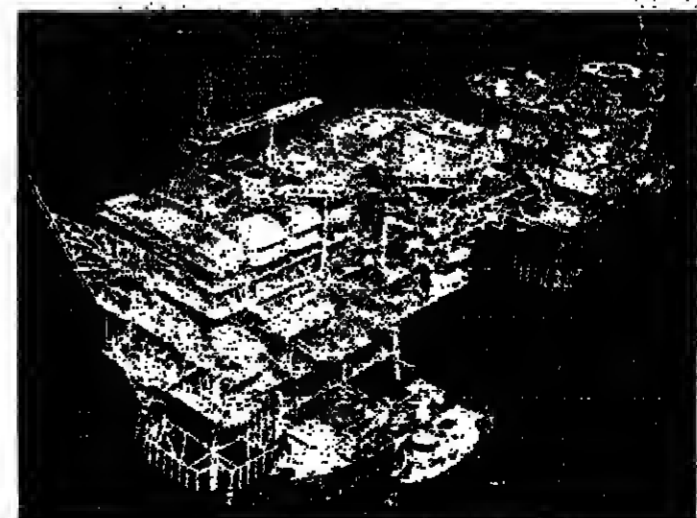
A MASSIVE investment of approximately Rs 100bn is either being made (or proposed) in Indian fertiliser and petrochemical projects based on natural gas from offshore Bombay High about 120 km from Bombay. The investment will, in fact, be higher than Rs 100bn if all the natural gas available from Bombay High is to be utilised fully and economically.

The investment figure was based on free natural gas from South Eocene Fields in Bombay High and associated gas availability, assuming the crude production at 12m tonnes. An accelerated production plan is ready to raise oil production from Bombay High to 19.12m tonnes in the year to March, 1985.

Around 6.2m cubic metres of associated gas will be available against 4m cubic metres projected earlier.

The Government has decided to set up a chain of 10 gas-based fertiliser plants, each with 1,350 tonnes per day (tpd) of ammonia.

Four plants, two each in the western states of Maharashtra and Gujarat, are already under construction. Six more are to be set up in



Bombay High (North) process platform built for the Oil and Natural Gas Commission by Oceanic Contractors, Dubai, a subsidiary of J. R. McDermott.

the northern states of Uttar Pradesh, Punjab and Madhya Pradesh (central India). Four of the six plants will be in the private sector.

In addition, half a dozen plants to make a diammonium phosphate (DAP), a complex fertiliser, are being licensed by the Government to meet the shortage of phosphatic fertilisers. A Rs 500m ammonia plant of Depak

fertiliser, the first private sector Bombay High gas-based plant, will be ready for commissioning by the end of 1982.

Two petrochemical complexes are to be set up, one each in Maharashtra and Gujarat. The Maharashtra unit, which will be owned by the Indian government, will have the country's largest gas cracker.

An expert committee has suggested the unit to produce 300,000 tonnes of ethylene and 40,000 tonnes of polyethylene. The gas cracker together with units of LDPE, PVC and styrene, will cost around Rs 90m.

The Rs 60m Gujarat petrochemical complex is smaller than its counterpart in Maharashtra. The project will have a product pattern different from the Maharashtra complex and will be in the "joint sector" (jointly owned by the Government and private sector).

ENI of Italy proposes to team up with Linde of West Germany and set up two fertiliser plants of the six gas-based fertiliser plants and the Maharashtra petrochemical complex, with offers of Italian and German credits to finance the projects.

Besides fertiliser units and gas crackers, three aromatic complexes are to be set up based on asphaltene from Bombay High crude, one each in Bombay, Madhya (near Dehli), and Cochin in the southern state of Kerala. The government has given the green signal to projects for making DMT and polyester fibre and filament yarn in the private sector.

Handwritten signature or mark in a box.

INDIA-V

ENERGY

SPACE PROGRAMME

Oil companies awaiting key decisions

"It's difficult to do business with the Indian Government," says a representative of the International Oil Company in India. The Government took about two years to choose Chevron Overseas Petroleum Corporation of the U.S. and to finalise the terms for exploration of an offshore block, called Samthra II, on India's west coast.

Companies concede to the Government the right to bargain hard on the terms, but the prolonged delay in decision-making upsets their calculations. Time is money.

During the two years since the Government invited bids for 32 shore and onshore blocks, the number of bidders dropped from the short-listed 34 (out of the 144 bids received), to a mere three.

Peex of Mexico and Dexco of West Germany, besides Chevron, are left in the race for oil exploration rights in the area.

Chevron has agreed to drill five wells in Samthra II, involving a minimum expenditure of \$47m — three wells (\$2m) in the first three years, with an option to drill another two wells, later.

The U.S. oil company has agreed to sell the oil produced from the wells at a price to be determined by the Government — the profit margin is calculated by a complex formula linked to the surplus generated by oil production and setting off exploration and development costs.

International oil companies are not keen to join the oil bid in India. Oil analysts say that majority of blocks offered are not even second rate.

There are only a few blocks with good hydrocarbon prospects and all the potential areas are reserved for the Government-owned agencies.

Samthra II, for which Chevron is awarded the exploration contract, appears to be the best and has attracted as many as 14 bids out of the 32 short-listed.

Secondly, the glut of oil in the international market has slowed down investment in exploration by oil majors.

Thirdly, those willing to invest make an international comparison of the returns and risks. The latest to join the race to attract participation of international oil companies for exploration is China, which is presumed to have large offshore oil deposits.

The strategy of accelerating participation in oil exploration and production has virtually not succeeded, although the Government hopes to invite a second round of bids. It appears that oil majors will not be able to contribute substantially to India's oil production.

But it is a long haul for India to self-sufficiency in oil. The immediate objective is to produce 30m tonnes of oil by the year 2000.

Bombay High oil fields are to yield 19.12m tonnes. Onshore fields in the western state of Gujarat add the north-eastern state of Assam are being geared to produce about 11m tonnes. The production of 30m tonnes will meet 70 per cent of India's needs of oil by 1984-85, against 30 per cent domestic oil component at present.

The crucial aspect is domestic oil availability will be seen after 1985. An official working group on energy policy estimated a minimum three-fold increase in oil requirements to 1.30m barrels a day in the year 2000.

Demand for oil is expected to grow at around 10 per cent a year, against 6 per cent annual increase in the past three years, when the consumption was depressed by a sharp increase in petroleum product prices. The price of gasoline had almost doubled to Rs 6.15 per litre from Rs 3.15 per litre, in four years.

The Government plans to introduce, within two years, a cheap but fuel-efficient, small car made by the Government-owned company of Maruti, with Japanese collaboration. The entire automobile industry is undergoing technological upgrading and expansion by infusion of foreign expertise.

The oil and natural gas commission has formulated a ten-year plan for hydrocarbons and production of hydrocarbons are gearing themselves for their expanding role.

New technologies are being introduced. Helicopters are being used to lift men and equipment to

inaccessible desert locations in Rajasthan, instead of using the surface transport. This method is found to be cheaper and faster than laying roads and communications facilities first only to be abandoned later if no hydrocarbons are found.

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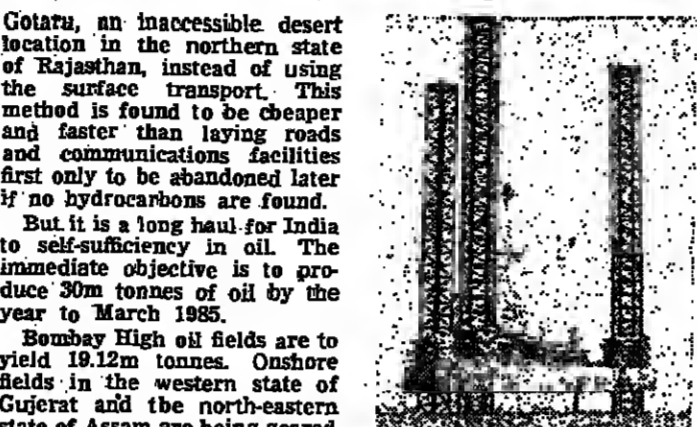
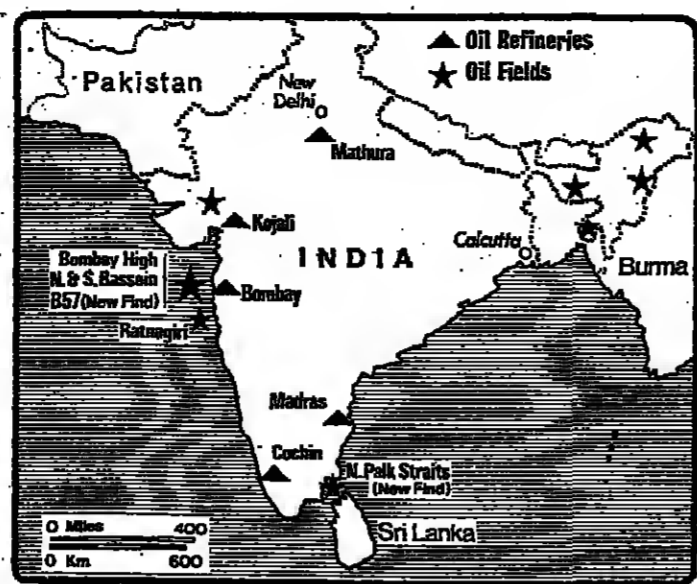
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A French-built jack-up rig operated by India's Oil and Natural Gas Commission.

The plan, which involves an investment of Rs 289.95bn is now under way to explore for oil and produce 60m tonnes by 1990.

Oil India, which is prospecting for oil in Assam and Meghalaya Basin in eastern India, is working on a similar 10-year investment plan. This is a massive investment and the two organisations will have to use the resources judiciously to achieve results.

ONGC has found oil in Peak Bay, the small strip of sea between India and Sri Lanka, but the size of the structure is still to be established. Two of the three wells drilled, so far, are dry.

India is planning hopes on the offshore Godavari structure, where Sedco, under contract with ONGC, has deployed a sophisticated vessel to drill in as hazardous conditions as in the North Sea. If the Godavari Basin proves to be another Bombay High, India's oil problem is solved for the next 10 years.

R. C. Murthy

There will soon be an Indian cosmonaut in space now that the Government has accepted a Soviet offer to train and send one as a companion to a Russian.

New developments come close to matching capabilities of more advanced nations

THE spindle-shaped backwater island of Sriharikota, off Andhra Pradesh, in South India, was until a few years ago a desolate stretch filled with jungles, used for firewood. Even so, the island's location and desolation favoured its choice, in 1969, as a site for launching earth satellites.

The isolation is suited to the testing and launching of powerful rockets, while the east coast location can help a launch vehicle to take advantage of earth's east-west rotation.

Sriharikota is now a hive of activity after the original Thumba Equatorial Rocket Launching Station, near Trivandrum, in Kerala, where India's space programme made a modest beginning in 1963, became inadequate for the more ambitious plans to place satellites in orbit.

The Sriharikota range—shortened to Sbar, or an arrow—is the most extensive establishment of the Indian Space Research Organisation (ISRO). The 33,000-acre island is an enormous complex of technical facilities and a township for the 1,500 people engaged in its varied operations.

Research and technology development remains concentrated at the Vikram Sarabhai Space Centre at Trivandrum, the largest, technically, because nearly 5,000 people work there and at the Thumba Rocket Station.

ISRO has two more principal centres at Bangalore for the development and fabrication of satellites—and at Ahmedabad, in Gujarat, for research in and co-ordination of space applications. Overall control for the \$1bn 10-year space programme is centred at Bangalore.

Indian satellites, although made and launched from Florida and Guyana, already circle the globe to improve telecommunications, meteorology and other modern applications.

But clearly the most dramatic development was the successful launch in May, 1981, of the space launching vehicle (SLV-3) from Sbar

which placed a 38 kg satellite into orbit (the satellite itself came down in nine days, much earlier than the 90 days planned for it).

The development is important because Indian scientists and engineers depended almost entirely on their own skills at almost every stage of design and fabrication.

Of the 17 tons that SLV-3 weighed, 13 tons was taken up by the solid propellant that Indian scientists developed after France asked millions of francs for it in 1972. The solid propellants for the main rocket and the liquid ones for the small control rockets are now made at plants at Alwaye in Kerala and at the Electrochemical Research Institute.

These advances put the Indian space effort well on the way to matching the capabilities of the more advanced nations (and, incidentally, gives it the option to make long-range ballistic missiles).

The SLV-3 is similar to the U.S. Scout which has proved to be a reliable and relatively inexpensive launch vehicle for small satellites for a variety of scientific missions.

Like the Scout, the SLV-3 was a four-stage rocket with a total thrust of 176,000 pounds. The first two stages had metal casings, with stringent metallurgical and structural specifications; the fibre glass used for the third and fourth stages called for still more sophisticated manufacture.

Equally important is the fact that 90 per cent of the 10,000 major components of the 44 major sub-systems of the rocket were manufactured in India—a fault operation of even one component could have wrecked the entire experiment. The complex instrumentation of the rocket, the satellite and the ground facilities for monitoring and controlling pre-launch and post-launch operations were all made in India—a tribute to Indian skill, talent and innovation that is not always apparent in other high-technology areas.

The satellite programme is also far ahead, although much of the fabrication of those already orbited has been left to countries such as the Soviet Union, the U.S. and France. This is inevitable if India is to take advantage of what the Department of Space calls the "application-oriented projects designed to secure tangible socio-economic benefits for the nation."

This refers to communications systems, observations for hydrology, forestry, oceanography and meteorology.

The early benefits of satellites for these activities need quick fabrication of the systems involved and India is still an infant in these areas, although the Apple (Ariane)



The Indian-built "Apple" (Ariane passenger payload experiment) has revolutionised India's communications network.

passenger payload experiment) was made in the country itself.

Apple is now in geocentric orbit through courtesy of the European Space Agency, although the final boost motor needed to push it into position was Indian-made. This is a highly sophisticated piece of engineering which China does not have at present.

Similarly, NASA has already built and orbited the Indian National Satellite (INSAT) system. These have been intended for the collection of meteorological data and direct television broadcasting.

Further Insat satellites will be designed and fabricated in India and there will be some saving in foreign exchange—the first of the

Insat satellites cost \$170m—apart from further improving India's technology. Bhaskara II, India's second experimental earth observation satellite, was launched from a Soviet cosmodrome last November and it continues the remote sensing of the country's resources and geography, begun by Bhaskara I.

The second satellite is a greatly improved version and can, for instance, differentiate between water vapour and liquid vapour in the atmosphere.

Having done all this, ISRO has now framed a new decade profile for the 1980s. Now that there is a technological base and infrastructure for long-term self-reliant space programme by developing sounding rockets, satellite launch vehicles and satellite technology, the Indian space programme is charting the course to develop semi-operational and operational systems for practical space applications.

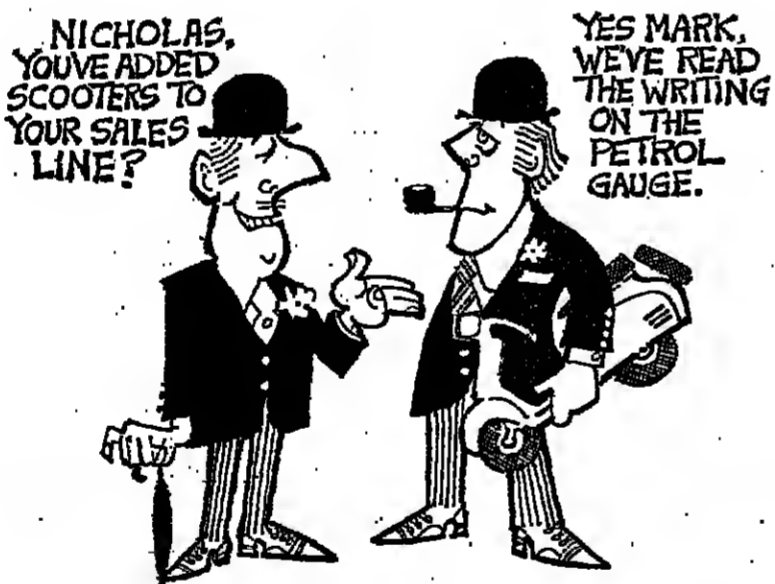
The decade will also witness the development of an Indian Remote Sensing (IRS) satellite series for the effective utilisation of remote sensing technology and to promote the establishment of a national natural resources survey and management system.

A major new launch vehicle, PSLV, capable of orbiting 1,000 kg satellites in Polar sun-synchronous orbit, is now being developed, and this will put space technology further ahead, although the timing is still uncertain because of the difficulty of obtaining funds for the effort.

But if this is not dramatic enough, there will soon be an Indian cosmonaut in space now that the Government has accepted a Soviet offer to train and send one as a companion to a Russian.

This move is gimmicky, however, and the Indian space scientists do not need this to claim applause for their efforts.

K. K. Sharma

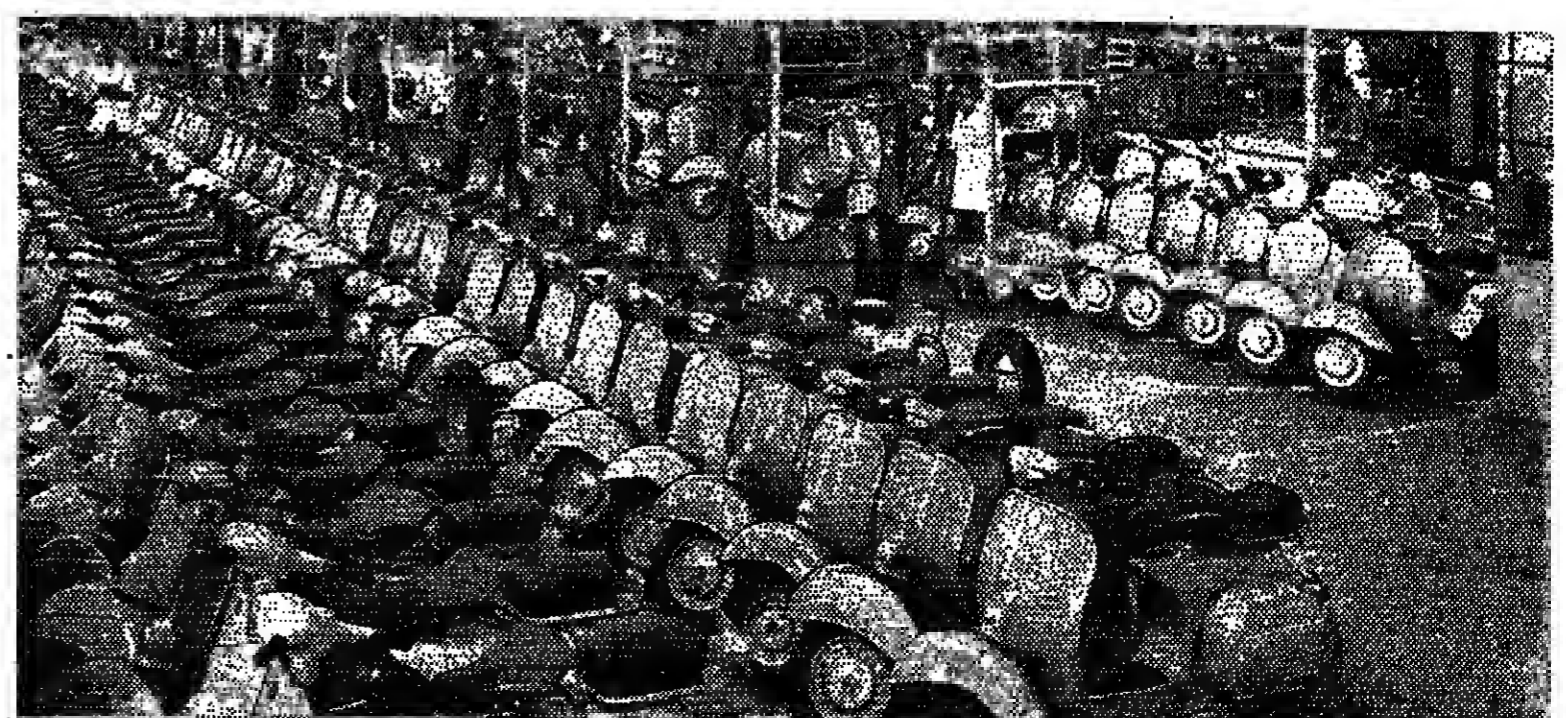
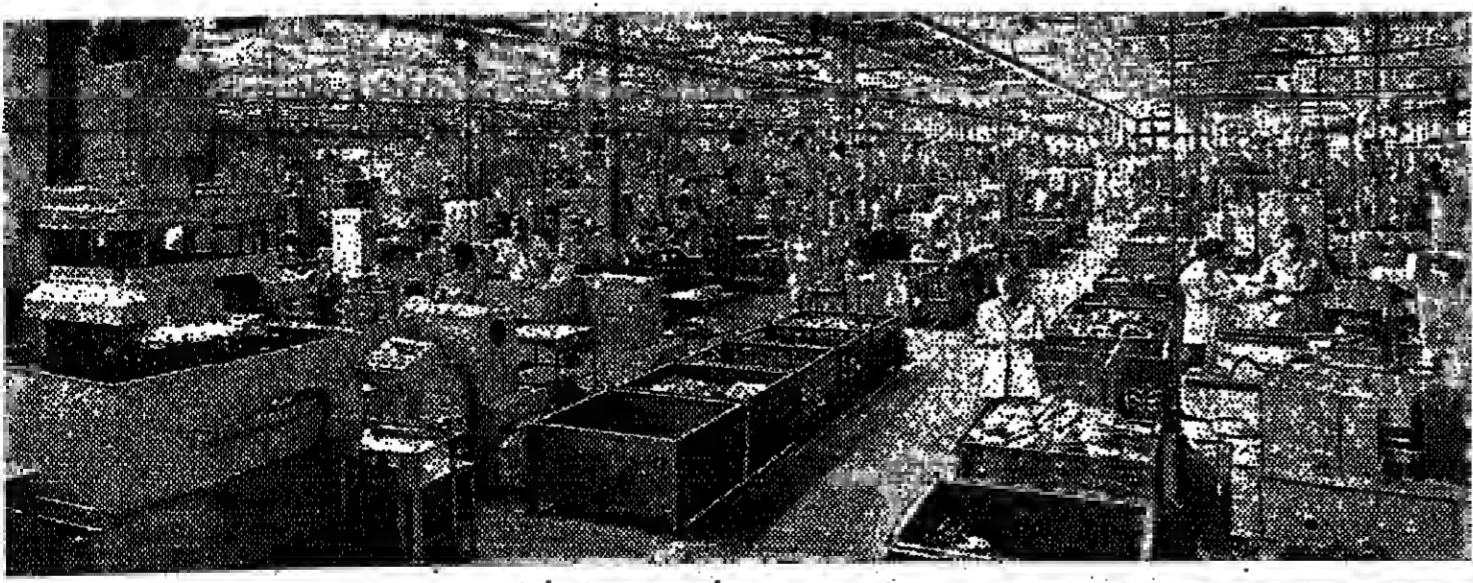


Getting into scooters, usually means getting in touch with India too; because that's where Bajaj Auto, the world's second largest scooter manufacturer, is located. To many people this comes as a bit of a surprise; when it really shouldn't. After all, India is the world's tenth largest industrial nation. A number of large manufacturing organisations have contributed to this dramatic growth. One of them is Bajaj Auto; a company employing over 6,500 people and equipped with modern mass production facilities. It is also well known for its ruthless quality control. There are more coming. At Bajaj Auto's 64-hectare plant near Bombay, there is great excitement over the company's expansion plans. New bays are already being completed to accommodate the men and machines which will push production up to 250,000 scooters, three-wheelers and motorcycles a year by mid-1981. Which is still not enough. With oil prices climbing steadily and supplies uncertain, the demand for small, comfortable, economical vehicles is increasing in every part of the world. Almost every country is encouraging its citizens to see the voice of reason; because nations also need oil for more important uses than personal transportation. Yet, people must be mobile if a nation is to continue to move forward. This is why Bajaj Auto is doubling its production facilities to meet international demand. Without forgetting, of course, the

basic creed which made Bajaj scooters world-famous in the first place: The real criteria for the existence of a manufacturer is to give the customer the best possible product at the lowest possible cost. Across seventeen countries and over billions of kilometres, Bajaj scooters have met these criteria with ruggedness, reliability and economy that are unmatched. Now's your chance. The doubling of Bajaj Auto's capacity to over 250,000 vehicles a year is being completed at a time when worldwide demand for scooters is increasing at almost the same rate as petrol prices. Think it over. If you should decide tomorrow morning to go into scooters, how many companies are there in the world which have the capacity to guarantee you bulk supplies?



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INDIA-VI

Mrs. Gandhi dominates the political stage, but with the memory of the emergency and her own defeat still fresh in people's minds, she has to tread carefully



Some of the far flung electorate of Indira Gandhi

Speculation grows over possible constitutional changes

IN THE back lanes of India's southernmost state of Kerala, parched by pre-monsoon heat, men pedal rickety bicycles fitted with loud-speakers and transistorised tape recorders. As they weave their way round boulders and stray cows the voice of Indira Gandhi, India's political superstar, echoes across the countryside, urging her electorate not to be misled by the false promises of the opposition. The ingenious concept of political pedal power was first conceived by Mrs Gandhi's party managers in the run-up to the 1980 elections which swept her back to power after three years in the wilderness, having been cast there by an electorate outraged at the excesses of the 1975-77 Emergency.

The vote-for-me bicycle neatly symbolises two of the most basic facts of Indian political life today. The first, and most obvious, is that the sheer size of the country and the number of people make the task of building an effective, nationwide party organisation which can reach, control and hold the furthest corners of the union virtually impossible.

Main issue

Unlike the United States—the only other democracy in the world of remotely comparable size—India's 655m people, spread across 22 states, speak 14 major languages, hundreds of dialects and, more often than not, feel as much loyalty to the centre as a Scottish Nationalist does to London. The second reality of Indian politics today is that there is only one real issue which unites or divides people on a national scale and that is whether one is for or against Indira Gandhi. The only exception to this rough rule of thumb is those small number of states—West Bengal, Kerala and the tiny outpost of Tripura—where India's ineffective Communist Party has been able to put down roots. There the issues are sometimes fought, by no means always, on more conventional grounds. But the Communists present no real threat, either to Mrs Gandhi or to what might be described as "the ruling establishment," on a national scale. Their identity, weakened in recent years by interminable

spits, which sometimes reflect just party infighting, remains submerged for the overriding preoccupation of most Indians with caste and communal boundaries. Even the Communists, however, have recently been affected by the Indira factor. The Communist Party of India (CPI), the smaller pro-Moscow faction of the movement, is now split between those who are willing to back the Prime Minister out of loyalty to the Kremlin—for whom the Indian relationship is vital—and those who see this as a betrayal of their faith.

Mrs Gandhi's unquestioned dominance of the political stage is also helped by disarray within the opposition's ranks. Repeated attempts by some or all of the parties who had come together in 1977 to defeat Mrs Gandhi, under the umbrella of the Janata coalition, have failed miserably. The inability of leading figures such as Jagjivan Ram, who commands millions of votes among India's untouchables; and Charan Singh, the Lok Dal's "old man of the sea," and others who have held high office to coalesce effectively even on such a tenuous platform as getting Mrs Gandhi out of office, remains a curious enigma.

But Mrs Gandhi's dominance carries with it its own problems. The most important of these, say her critics, is that it is at the expense of a sound Congress (I) Party structure which would be able to carry on without her. The Congress (I), which she formed in 1979, after splitting from now innocuous parent party, is far from being a disciplined, tightly-run organisation. Infighting and factionalism is on the increase. Defections are not uncommon. Some corruption cases have badly dented the party image. The glue which holds it together is Mrs Gandhi's considerable pulling power, and not much else.

Mrs Gandhi and her advisers have been made a virtue out of this. In recent state elections, Congress (I) candidates campaigned on the basis that a vote for them will be a vote for good relations with New Delhi. This is of crucial importance in India where relations between the centre and the states are an important factor in economic development.

The hostile international environment and, in particular, the tension with Pakistan and the United States over the supply of American F-16s to Islamabad, have further strengthened Mrs Gandhi's position. She argues, with some force, that a strong, central government is important if such threats are to be effectively dealt with.

There is also the fact that, since coming back to power in 1980, Mrs Gandhi's first priorities were not to cope with parochial party matters but with putting the economy back on its feet, getting the civil service moving and implementing badly needed reforms. She can also point to the fact that the difference between the India she presides over and the one she presided over by her father, Jawaharlal Nehru, whose period of office has assumed an almost Arthurian status, is that today the unique bond forged out of the country's struggle for independence is memory for many and history for most Indians.

The gradual erosion of the national and therefore the Congress consensus was inevitable. The resurfacing of regional and communal politics equally so. In that sense, Mrs Gandhi's task is much harder than her father's. This having been said, however, the parlous state of the Congress (I) is of increasing concern to a number of its supporters.

The small and (in political terms), relatively insignificant quarrel between Mrs Gandhi and the widow of her son, Sanjay who died in an air crash, underlined this fragility. The quarrel came to a head when Maneka Gandhi, who is only 23, openly defied her mother-in-law and attended a political rally in the northern city of Lucknow, ostensibly to revive the flagging spirit of her dead husband's policies.

However disliked he may have been, even Sanjay's harshest critics concede that he knew what he wanted, that he had some clear policies and he implemented them effectively, if ruthlessly. Mrs Gandhi responded by asking Maneka to leave her house, acting out a classic Indian set-piece family feud. She suspected, not entirely without reason, that Maneka and the

remnants of Sanjay's cabal were out to establish an independent power base by attacking her and through her other son, Rajiv, who is now being groomed as the heir apparent.

Increasingly, Mrs Gandhi's supporters are asking whether Rajiv, who reluctantly abandoned his career as an Indian Airline pilot, as well as his private life, to step into Sanjay's shoes, will rise to the occasion when the time comes. That remains to be seen.

As one observer put it: "Rajiv has plenty of time and, furthermore, whatever his qualities may be, he is wisely avoiding the kind of tactics that Sanjay went in for."

There is, nevertheless, an absence of alternative choices which, in any other democratic party would be regarded as alarming. There is growing speculation that Mrs Gandhi is keen to make constitutional changes which would enhance the role of the capital through a presidential system not unlike France's. The aim would be to more easily push through reforms and weld the country closer together.

But with the memory of the emergency and her own defeat still fresh in people's minds, Mrs Gandhi has to tread carefully. In any case, as one editor put it: "Turning the Prime Minister into the President isn't going to prepare the ground for her succession, any more than it will solve India's problems."

The Janata Party itself is what remains of the Janata experiment that lasted from 1977 to 1979. It consists mostly now of former Congress leaders opposed to Mrs Gandhi for per-

Alain Cass

A diversity of parties

THE RULING party in India is the Indian National Congress (I)—the "I" for Indira—which is dominated by Prime Minister Indira Gandhi. She is its President, mother figure, policy-maker, office-bearer, appointer and just about everything that counts in the party. The party was formed in 1979 when Mrs Gandhi broke away from the parent Congress Party when it went into opposition after being defeated by the Janata Party in 1977.

It professes to have a Gandhian (after the Mahatma, not the Prime Minister) socialist policy but this is extremely ambivalent. It purports to be left-of-the-centre, but is really pragmatic

in its beliefs. Recently, for instance, Mrs Gandhi has been following a Right-wing economic policy while apparently accepting overtures to her from the Communists. The Congress (I) has never held internal elections so it is not known what its popular base is; it is possible that it has none, and relies on Mrs Gandhi's undoubted charisma for its support.

The party has an executive of nominated members (by Mrs Gandhi) who form the working committee. But, in effect, only two people count in the party: Mrs Gandhi and her chosen heir apparent and son, Mr Rajiv Gandhi.

Until the recent by-elections, on May 19, the Congress had a strength of 351 in a Parliament of 542 members. The opposition is fragmented into innumerable groups, none of which qualify for recognition as a distinct political party because none has the requisite 10 per cent of the seats in Parliament.

Broadly speaking, it consists of groups formed by fragments of the Janata Party which cracked up in July 1979, when the Morarji Desai Government collapsed and, with it, the experiment of the merger of five parties into a single organisation.

The other extreme is represented by the Communist Party (Marxists) and the Communist Party of India (drawing its inspiration from Russia). The Janata Party itself is what remains of the Janata experiment that lasted from 1977 to 1979. It consists mostly now of former Congress leaders opposed to Mrs Gandhi for per-

sonal rather than political reasons. Among its members is Mr Morarji Desai, the Janata Prime Minister for the short period that the party ruled the country, although its President is Mr Chandra Shekhar. Like the Congress, it also follows a vague Gandhian socialist policy but has distinct ideology. Its strength in Parliament is 31.

A bigger splinter group is the Lok Dal with 41 members in Parliament. Led by the ageing "Jat" (hill-caste farmer in northern states) leader, Mr Charan Singh who headed the caretaker government when the Janata collapsed, the Lok Dal (People's Party) has a following in the northern states among the farmers whose interests seeks to protect. But its members also consist of former Communist socialists such as Mr George Fernandes, whose party has vanished from the Indian political scene.

Although less important numerically, with just 13 members in Parliament, the Bharatiya Janata Party (BJP) led by Mr Atal Behari Vajpayee, who was Foreign Minister in the Janata Government, is the more important of the opposition parties. It is really the successor of the ultra-rightist, Jana Sangh, the political offshoot of the Ashvarya Swamysevak Sangh (RSS), which wound itself up when it merged with the Janata Party in 1977.

Indian National Congress Party



Janata Party



Communist Party of India



The party has now been reborn under a new name but remains essentially the representative of the orthodox Hindus with a hanker after what it thinks is true Indian culture. The Communist Party (Marxists), or CPM as it is popularly known, has 33 seats in Parliament. Its ideology is Marxist, but it remained loyal to both Peking and Moscow until its last Congress in March when the party seemed to be veering towards the Russians.

The Marxists' main losses are in West Bengal which they rule and the southern state of Kerala. They also form the government in Tripura State and have pockets of strength all over India, especially among factory workers. The most prominent Marxist is Mr Promode Das Gupta of West Bengal. The same is the case with the Russia-leaning Communist Party of India (CPI) whose followers are fading. It has just nine members in Parliament who fervently espouse the Soviet cause, part of which is to stoutly support Mrs Gandhi. She treats them distantly and this has inevitably lost them popular support, although the CPI still controls some unions.

K. K. Sharma



Left-wing demonstrators on their way to the U.S. Embassy in New Delhi



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INDIA—VII

FOREIGN POLICY

India's foreign policy is governed by three main pre-occupations: relations with Pakistan, her position as leader of the non-aligned movement in the Third World and her relationships with the two superpowers.

New initiatives aim to attract more overseas capital

INDIAN foreign policy is on the move again after a long period of relative quiescence. Mrs Indira Gandhi, the Prime Minister, has just completed a round of European visits which—in the case of Britain, in particular—seem to mark a new departure. These are to be followed late in the year with visits both to the Soviet Union and the U.S. Although the original intention to carry these out in June and July has been postponed, partly because of Soviet irritation at the fact that Mrs Gandhi jointly announced her intention to make the trips almost simultaneously, and partly because the dates did not suit the U.S., there is no reason to suppose that they will fail through. Of the two visits the one to the U.S. is, of course, by far the most significant.

Mrs Gandhi was last in the U.S. before the emergency in 1975. Since then, relations (always never much more than correct) have taken a nose-dive, partly due to the U.S. decision to cancel the contract for the supply of uranium to India's Tarapur nuclear plant, partly due to America's open hostility in the shape of an arms package which includes F-16 combat aircraft.

Mrs Gandhi apparently believes that "we do not figure in the U.S. scheme of things." Presumably, the intended visit to Washington is to correct that oversight.

President Reagan, for his part, will be eager to do whatever he can do to wean India away from the Soviet Union and allay fears in New Delhi over America's attempts to build a strategic consensus in the Gulf and West Asia to replace the fall of the Shah and the untimely death of President Anwar Sadat of Egypt.

Mrs Gandhi has just returned from Saudi Arabia, the heartland of the Muslim world. The visit was of immense significance because of the Kingdom's strong links with Pakistan as well as its support of U.S. policies in the region.

Mrs Gandhi has also resumed talks with China in an attempt to normalise relations which have yet to recover from the war in 1962. This left India defeated, demoralised and isolated driving her more closely into the waiting arms of the Soviet Union.

It is not yet clear whether all this activity is the forerunner of any radical departure in foreign policy.

In New Delhi the twin aims of economic growth, and hence political stability, at home, and the maintenance of a dominant position in the subcontinent, can only be achieved through a more flexible foreign policy which owes less to the present overwhelming dependence on the Soviet Union.

The visits to Britain and France mark a distinct tilt towards Europe. This, Delhi hopes, will help to create a favourable political climate which, coupled with the increasing liberalisation of the economy, will attract foreign capital.

In this context, the IMF loan is of major symbolic importance and marks a return to the policies of the 1950s when Mrs Gandhi's father, Jawaharlal Nehru, combined Western capital with a carefully balanced foreign policy to make huge strides in building post-independence India.

India has also been rapidly diversifying her sources of arms supplies in the past two years. The military logic for this is dubious, as many of Mrs Gandhi's own advisers have pointed out the political advantages are, however, unquestionable.

As always, India's foreign policy is governed by three main preoccupations. Relations with Pakistan, India's position as leader of the non-aligned movement in the Third World and her relationship with the two superpowers.

All of these are, in some sense, likely to be affected by Mrs Gandhi's new approach.

since coming back to power in 1980.

Relations with the Soviet Union are already showing signs of stress. Although the Russians have been particularly careful not to offend Indian sensibilities by interfering in domestic policy, they cannot be happy at the IMF loan any more than at what Left-wingers within India describe as her "slow drift to the right."

Beyond this and more significantly, the policy to purchase Western arms, the visit to the U.S. India's lukewarm (as the Russians see it) support for Soviet policies in Afghanistan and whole tenor of Delhi's more even-handed approach are irritating to the Kremlin for whom India is the linchpin of its policies in Asia and indeed the Third World as a whole.

None of this, however, is likely to break out into the open. The Russians value their relationship with India far too much for that. Mrs Gandhi, on the other hand, knows that while an apparent distancing from the Soviet Union can usefully increase her leverage over the Kremlin an open breach would leave India vulnerable and, ultimately, friendless. In the event of a war with Pakistan, for example, Soviet political, military and economic support could prove decisive.

This eventuality is not entirely beyond the realms of possibility. War with Pakistan is still the most likely flash-point on the subcontinent and both sides appear increasingly preoccupied with the possibility.

So great is the residual hostility and mutual suspicion of both sides that most attempts

at dialogue end in failure such as the recent desultory negotiations, begun amid much fanfare only to be abruptly broken off, on a no-war pact.

India regards the arming of president Zia's military regime by the U.S. as dangerous and ill-advised. American F-15s will ultimately be used, not to face any threat from the Russians in Afghanistan officials argue, but to attack India.

Anxieties

They point to Pakistan's apparent attempt to manufacture a nuclear weapon. Beyond this, there is fear, never officially expressed because of its explosive potential, that a damaging war with a fundamentalist Muslim regime in Pakistan could ignite volatile religious passions within India with unforeseeable consequences.

The Pakistanis, for their part, point to India's massive arms programme and the apparent lack of urgency in New Delhi to find a lasting formula for sensible relations in the future.

Remarkably sure-footed as she has proved in guiding India in foreign policy and sensible as her new initiatives may be, if Mrs Gandhi does not work quickly for a lasting peace with Pakistan, a fourth and much more damaging war for both sides cannot be ruled out.

The consequences of that conflict would be to isolate India again, increase even further her dependence on the Soviet Union and set her present initiatives back by years.

Alain Cass



Mrs Margaret Thatcher, Britain's Prime Minister, chats with Mrs Gandhi—the Indian Prime Minister's visits to Britain and France mark a distinct tilt in foreign policy towards Western Europe

Delhi's more even-handed approach irritates the Kremlin

Relations with the Soviet Union are showing signs of stress

WHEN A Soviet minister made his annual pilgrimage to India early this year, he asked his hosts: "How many people speak Russian in your country?" There was no count, but he smiled with pleasure when told that there was an institute teaching the Russian language in almost every state.

Assuming that every institute turns out 50 graduates a year, there must be roughly 2,000 Indians added every year to the growing number whose main foreign language is no longer English but Russian. They have been taught Russian history, Russian literature and, of course, given a crash course in Russian ideology—all with the blessings of the Indian Government. Russian is also taught in many schools.

What would not have pleased the Soviet minister is the fact that gaining admission to one of the Russian institutes—all subsidised by Soviet grants—is not exactly the most prized achievement of students leaving school and seeking university. In fact, applications are made to the institutes by students who fail to win admission anywhere else.

Still, there is an increasing number of Indians who speak Russian and this is symbolic of the close and expanding links with the Soviet Union. The Russians guard the new Delhi connection jealously and nearly miscalculated when Mrs Gandhi lost the 1977 general election and was replaced by the Janata Government.

Relationship

The Soviet Foreign Minister, Mr Andrei Gromyko, was despatched post haste to New Delhi to establish a working relationship with the new leaders. Obviously (and wrongly) calculating that the Janata leaders

were there to stay, the Russians totally ignored Mrs Gandhi when she was in the wilderness. This could have not endeared them to her. As if to make up for their neglect, Mr Brezhnev himself came to visit Mrs Gandhi when she won the 1980 election, promising undying Russian friendship with the Indians and virtual *carte blanche* to the Government.

It is of some significance that Mrs Gandhi, despite a great deal of Soviet pressure, has still to return the visit and that, when she announced the probable date of the trip to Russia, she also declared that she would visit President Reagan in Washington.

The trip to Russia will undoubtedly be made and the Moscow link—some describe it as the Moscow-New Delhi axis—remains undiluted. There are compelling reasons for the Moscow connection to continue to be strong. As the Russians never fail to point out with embarrassing regularity, the Soviet Union is India's most reliable political ally, a supplier of massive amounts of sophisticated weaponry at absurdly low prices, the largest single trading partner, builder of much of India's heavy industrial plants and champion of India's cause at whatever forum support is needed.

The truth is that the Moscow connection is so all-embracing that it is becoming embarrassing to the Indians. New Delhi follows, after all, a policy of non-alignment. Yet there is hardly any country that does not believe that there is a distinct tilt towards Russia, especially now that relations with the U.S. are becoming increasingly sour.

The Janata Government underscored this by announcing that it would follow a policy of

"genuine non-alignment," implicit in this is that Mr Morarji Desai, the Janata Prime Minister, felt that India's non-alignment was not "genuine" because of the tilt towards Russia.

Yet even the Janata Government soon realised that ties with Russia were too firmly established to be easily shaken off. The Soviets had always been wooing India and this intensified with the break with China. The link was institutionalised with the signing of the Indo-Soviet Treaty of Friendship in 1971, shortly before the war over Bangladesh, when Mrs Gandhi badly needed international support.

Since then, Indo-Soviet relations have expanded in every field. Russian weapons arm the Air Force, which has MIGs of every generation up to the MIG-25 and will soon acquire the MIG-27, the Army (tanks and artillery), and even the Navy.

The Soviet Union is India's largest single trading partner. Of the total exports of Rs88bn in 1981, about Rs21bn, or 40 per cent, went to Russia. In 1982, the target for exports to the Soviet Union is Rs32bn.

Barter deal

Imports are equally heavy and are paid for not in scarce convertible currency, but in goods under what is virtually a barter deal worked out in annual trade plans, with deficits being settled through "technical credits" in rupees.

Russia has willingly supplied such vital items as crude, petroleum products and fertilisers when they were not available elsewhere—and even diverted food ships from the U.S. to India some years ago when a famine threatened, despite its own domestic shortages.

The links in many other fields are as large because the Russians—even though they strike a hard bargain and have been found to be re-exporting Indian goods to Western Europe for hard currency—have assiduously cultivated India. The result, whether the Indians like it or not, is that India is considered all over the world as Russia's only ally outside the Communist bloc.

The Indians do not really like this. Even Mrs Gandhi's support of the Soviet invasion of Afghanistan was soon modified and the Indian Government now supports the demand for the Russian military withdrawal, in terms of a resolution adopted by the non-aligned foreign ministers' conference, last year.

Indians find the Russians—with rare exceptions—overbearing and difficult to get on with and, being naturally gregarious, find it difficult to understand their ghetto-like existence in places where they work in India. The Russian Embassy in New Delhi's diplomatic enclave is floodlit and has searchlights beaming outwards, obviously to prevent intrusions—and defections. (Stalin's daughter defected to the U.S. embassy in New Delhi in the early 1970s.)

Many Indians may speak Russian, but they don't really speak the same language politically, culturally and socially. Even in the matter of defence equipment, the Indian Government is deliberately diversifying its sources of supply to avoid excessive dependence on Russia. But economics and politics have their own compulsions and, willy nilly, the Moscow connection remains strong.

K. K. Sharma

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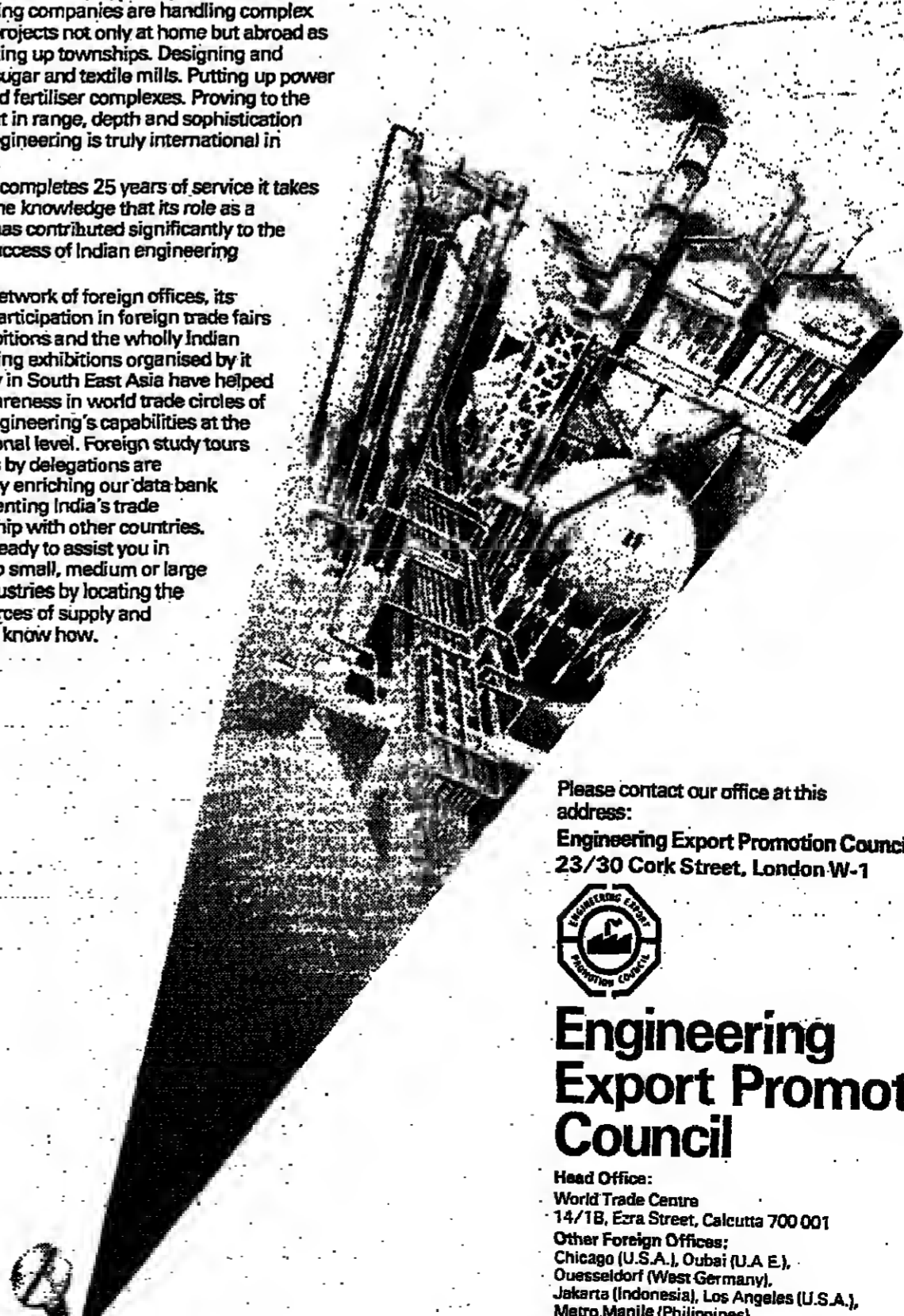
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INDIA—VIII

Almost 75 per cent of Indians owe their living to the land, and agriculture accounts for around 40 per cent of the country's gross national product, but average crop yields are still extremely poor.

Depressing picture despite important achievements

MUCH HAS rightly been made of what appears to be India's new found self-sufficiency in foodgrains, most notably in wheat and rice, the recent imports of 2.3m tonnes of wheat to build up stocks which earlier this year had fallen to dangerously low levels do not hide the fact that in 1979 India survived without famine or imports what many now say was perhaps the worst drought of the century.

For a country that less than 10 years ago was importing around \$1bn worth of grains a year this has been an important achievement.

Elsewhere, however, like the British weather, much of Indian agriculture reveals an essentially depressing picture, with a few bright spots filtering through the clouds. Even foodgrain self-sufficiency is at per capita consumption levels which leave millions without sufficient protein-intake for a healthy life. Output of a number of crops has hardly kept pace with the inexorable growth to the country's population.

In some important non-cereal food crops output has actually declined in per capita terms over the past 15 years. The "green revolution," which has done so much to boost grain yields in the States of Punjab and Haryana, has left many parts of the country untouched.

The new seed technology has been largely confined to wheat and rice, leaving a whole range of important food crops with average yields only marginally better than they were at

independence more than 30 years ago. More than 65 per cent of the country's 175m hectares of agricultural land remains unirrigated, leaving a large proportion of the 510m or so population, who are dependent on the land for their survival, to the vagaries of the monsoon and just one crop a year.

Poverty

According to the World Bank well over 50 per cent of Indian farmers and rural labourers live at appallingly low levels of poverty and unable to obtain the minimum protein requirements.

Around 120m rural people remain landless, while according to the 1976-77 agricultural census more than half of the 82m families who own land depend on farma smaller than the one hectare necessary to support them at subsistence level.

Together, these two categories, accounting for around 350m people, make up the bulk of India's poverty-stricken masses.

Although India has become an industrial power in its own right, agriculture is still the mainstay of its economy and by far the largest single employer in the country. Almost 75 per cent of Indians owe their living to the land, and agriculture accounts for around 40 per cent of the country's gross national product.

If India is ever to stem the growing tide of poverty it will therefore have not only to look

to industry and the over-population problem: it will also have to find a way of inducing a much faster agricultural growth rate and a much more productive and intensive use of its agricultural land.

The average annual growth rate for Indian agriculture in the past 15 years has been just 2.7 per cent, well below the 3.1 per cent recorded in the first 15 years after independence. With the population expanding at well over 2 per cent per annum in the past decade and a half, Indian agriculture has had to run fast just to keep marginally ahead.

Of the eight major crops listed in India's annual economic survey (cereals, pulses, oilseeds, sugar cane, cotton, jute, mesta and potatoes) only three—cereal, potatoes and sugar—have made significant strides in production during the past 15 years.

On a five-year moving average, cereals production did well to record a 33 per cent improvement between 1966-70 and 1976-1980, while from a small base potatoes leapt 100 per cent and sugar 33 per cent. For the rest, production gains were dismal.

In terms of per capita availability, even sugar was all but stagnant during the period, while oilseeds and pulses actually declined by more than 10 per cent.

Indian agricultural productivity is generally extremely poor, even by Third World standards. China, for example, feeds its population of one billion from 125m hectares, India has 175m hectares, to feed its 684m population.

Average Indian crop yields are extremely poor. According to V. I. Chacko, president of the International Centre for Plantation Studies at Bangalore, in wheat India is 35th in the world league, in rice 38th, in cotton 42nd and, despite having the largest area under sugar cane anywhere in the world, yields are half those in many other sugar-producing areas.

Of all the non-foodgrain crops, work on oilseeds is certainly the most pressing. For several years now, India has been exporting edible oils to the value of up to \$800m a year, and this has become a major drain on the country's precious foreign exchange reserves.

Production

Even without new scientific research, seeds are available which could boost yields by at least 25 per cent. In the past 15 years production of the five major oilseeds has increased by a mere 11 per cent, and yields per hectare have hardly increased at all during the past 10 years.

Much greater efforts too need to be concentrated on boosting cotton and pulse yields, which are among the lowest in the world. Pulse production is actually lower than it was at independence, and yields per hectare have actually declined in the past two decades.

Next to wheat, rice and oilseeds perhaps the most important scientific breakthrough which Indian agriculture re-

Five-year average	Cereals	Pulses	Oilseeds	mesta	Sugar	Cotton
1951-52 to 1955-56	139	26	14	2.3	15	1.6
1956-57 to 1960-61	148	28	16	2.5	19	1.8
1961-62 to 1965-66	159	24	16	2.9	24	1.1
1966-67 to 1970-71	150	21	15	2.1	23	1.3
1971-72 to 1975-76	182	19	15	2.6	23	1.9
1976-77 to 1980-81	171	17	15	2.2	24	1.9

Per cent change over 3 decades: +17 -35 -7 -4 +60 +19
* A per capita output in this table is equivalent to per capita domestic availability. Average production for each decade is divided by India's average population for the same period.
Source: Government agricultural and population statistics

Commodity group	1976-77	1977-78	1978-79	1979-80	1980
Foodgrains*	115.7	123.6	129.3	114.8	117
Oilseeds†	103.9	116.5	121.6	108.5	113
Fibre††	106.3	125.3	139.4	133.9	119
Plantation crops‡	132.4	151.9	151.2	155.1	117
Others§	131.4	148.1	131.8	109.3	112
All crops	116.4	132.7	137.8	117.2	115

* This includes wheat, rice and pulses; † Includes groundnut, rapeseed, mustard and other minor oilseeds; ‡ Includes cotton, jute and mesta; § Includes tea, coffee, rubber; ¶ Includes sugarcane, tobacco and potato.
Source: Government of India, 1981-82 economic survey.

quires is a revolution in seed technology and improved agricultural practices for dry-cultured farming. Far too few resources have been committed to a sector where poverty is the greatest, productivity the lowest, and potential perhaps the highest.

To many people, land reform means an increase in the number of smaller holdings at the expense of rich landowners. If all India's agricultural land was to be divided equally among its rural inhabitants, the average holding would be a mere 4 acres per family, just about enough to support them at a subsistence level, there would be insufficient agricultural surplus to feed the 200m or so Indians who live in the cities.

What is needed is a reduction in the number of families operating landholdings of 5 hectares or less, (60m). Such farmers have almost no ability to save and therefore to lay out money on tube-wells, fertilisers and other inputs needed to boost agricultural productivity and employment.

Irrigation is of vital impor-

tant. No one is in any doubt that the most essential first step to raising agricultural output and rural living standards is to irrigate the 10m hectares which are still wholly dependent on the monsoon. Irrigation can mean the difference between one crop a year and three, and can raise yields per hectare several times over.

The World Bank is pouring enormous resources into irrigation, but petty inter-State disputes over access to rivers has slowed progress in some areas. Much of India's vast river systems are nowhere near fully tapped. Some 75 per cent of river water ends up flowing unused into the sea. Elsewhere there has been an over-concentration on big and expensive schemes.

So far, however, the most neglected aspect of Indian agriculture has been the need for a diversification of technological, scientific and manpower resources to crops other than wheat and rice.

Richard Cowper

500m Indians work on the land

WHEN THE short-lived euphoria of freedom was over and the bloodletting that followed partition was past, on the surface, at least, there seemed little to choose between Jagjit Singh Hara and Shankar Solaha. Both owed their living to the soil and both were landless and poor.

Today almost 35 years on—Jagjit Singh boasts a swimming pool, a large bank account and a reputation for being one of India's most outstanding farmers.

Shankar Solaha is the not-very-proud owner of a small, hilly dust-beaten plot of land; he lives in a squalid mud hut and has less than two rupees to his name.

As a capable end efficient farmer Jagjit could hold his own with the best small farmers in Europe and North America, while Shankar offers a stark reminder of the depths of poverty and deprivation which still prevail throughout much of the Indian countryside more than three decades after independence.

Reasons there are many: Of personality, caste and fate, of attitudes to modernisation and new methods, of poor central government (agricultural) policy and administration, of the relative strengths and weaknesses of state government, of access to capital, agricultural inputs and good land in sufficient quantity, above all of access to water, quick and easy solutions there are none.

Jagjit Singh and his Jat Sikh parents were among the 11m or so people who were forced to flee their homes when India was divided in 1947.

"We didn't want to leave. In those days it was the part of the Punjab, on the Pakistan side, that was the granary of India and boasted the best canal irrigation system in the sub-continent. We had no choice. We lost our house, our chattels, our 25-acre farm. Everything except our lives."

From the veranda of his ultra-modern bungalow Jagjit surveys his 90-acre farm, which today dominates Kangranwal (Bridal Bangle) village just five miles outside the city of Ludhiana on the Indian side of the Punjab. Pointing to his swimming pool Jagjit says: "Over there we lived under a banyan tree for the first three years working the 20 acres of land granted to us by the Indian Government. In the first 15 years we did modestly well, built a farmhouse, sent my brother to college and helped to establish the village."

Output

In the mid 1960s however came an American scientist by the name of Dr F. Borlog. With him he brought outstanding new high yielding varieties of wheat which he had developed in Mexico, and the Green Revolution quickly transformed the life of both Jagjit Singh and the Punjab, as the go-ahead Punjab state government pushed electricity, roads and irrigation into almost every village. Ludhiana Agricultural University and bright young farmers all over the state spread the message and the seed of the new grain technology. The result has been that the Punjab has become India's most prosperous state producing 25 per

cent of the country's wheat on just 1.5 per cent of its land area.

Today India is largely self-sufficient in foodgrains and this is mainly thanks to farmers like Jagjit in the Punjab which currently contributes around 65 per cent of the government's wheat pool and 45 per cent of its rice pool.

With a number of tractors and 25 full-time labourers (30 more during harvest time) Jagjit says the adoption of new technology has created new jobs on his farm rather than destroyed them. "With three or four crops instead of one, there's that much more work to do. You only have to see the massive influx of people from outside the Punjab during the wheat and rice harvest seasons. Even then sometimes we run short of labour. Over there I produced 7 tonnes of rice per hectare from one crop followed by 8.5 tonnes of wheat—you know that double the average output of the U.S. farmer," says Jagjit.

Some 850 miles due south Shankar Solaha ekes out a meagre subsistence on two hectares of wind-swept hilly land, 15 miles from the fast growing city of Aurangabad in the north of Maharashtra State. In his village Shankar is comparatively well-off, of the 1,000 or so members of the so-called scheduled (backward) castes who lived clustered together on the "wrong" side of the stream in Goltagon village, more than half have no land at all.

Shankar got his two hectares of land in 1976 in one of the land re-distribution exercises which so often precedes a

general election in India. The problem is however that there's no irrigation.

For at least four months of the year most of the streams and rivers are bone dry and nothing will grow at all. All is dependent on the monsoon. Shankar sets just one crop of sorghum a year which last year yielded little more than a quarter of a tonne a hectare, half that of the already dismally low all-India average. A few miles away a gentleman farmer with irrigation produces more than ten times the output.

Nevertheless for Shankar receiving two hectares of land was a godsend. "In the drought years of 1971 to 1973, we nearly starved for lack of work. But now with my own small patch I can produce enough food to feed myself and my family for more than six months and by working on other people's land for the rest of the year I can earn with my wife a total of around Rs 1,500 (less than £30 sterling). This just keeps us going."

Mr. Shankar says he has no savings, no ambitions, no dreams. His only wish is that his land was just a little flatter. The lack of a bed or a table in his hut doesn't seem to worry him a bit.

This tale of two very different farmers is not a representative one. Mr. Hara, of course, accounts for just a tiny minority of the 500m or so Indians who owe their living to the land. And unlike 200m or so rural landless, Mr. Shankar does at least own two hectares.

R. C.

Weather hits foodgrain targets

INDIAN AGRICULTURE is now back on course, following the drought-stricken outcome of 1979-80 when foodgrain production—the dominant factor on the agricultural scene—plunged to a five-year low.

The overall index of agricultural production in the 1981-82 crop year is expected to increase by around 3 per cent, compared to the 2.4 per cent yearly average for the past decade.

This year's increase is well down on last year's 18 per cent growth, which was unusually high because it followed the drought hit crop year of 1979-1980.

Overall agricultural production, however, is not expected to be much higher than output during 1978-79.

The good news is that 1981-82 sugar and oilseeds production both seem set to achieve all-time records after several poor years. The bad news is that it now looks as if last minute unseasonable weather could deprive India of its 134m tonne foodgrain target.

Foodgrains: Unusually cold and wet weather just before and

PERCENTAGE OF CROP SHARE IN GROSS VALUE OF CROP OUTPUT

Food grains	59
Oil seeds	10
Sugar cane	6
Cotton	4
Others	21

Source: World Bank; figures for 1977-78.

during the spring harvest in the northern wheat belt may push output down below last year's record of 36.4m tonnes.

However, a record 54m tonne rice crop and a 43m tonne coarse grain output could see total foodgrain production edge slightly above record foodgrain production of 131.9m tonnes, achieved in 1978-79. The Government's 134m tonne target, however, no longer seems within reach.

Oilseeds: Output of the

country's eleven major oilseeds is set to hit an all-time high of around 15m tonnes in 1981-82, up around 15 per cent on last year's estimated 13m tonnes. This should boost domestic edible oil production by around 600,000 tonnes, up around 20 per cent on last year's production of 3m tonnes.

With edible oil imports constituting a major drain on the country's foreign exchange reserves this is expected to help the Government reduce imports to the lowest level for almost half a decade. Imports for 1981-1982 are expected to be around 1m tonnes down 23 per cent.

Sugarcane: Higher domestic cane prices stimulated a sizeable increase in the area planted, and cane production this year is expected to be at least 20 per cent up on last year's harvest of 151m tonnes. This should show through in record sugar production of around 7m tonnes, up around 36 per cent on last year's output of 5.15m tonnes. Exports of milled sugar in 1981-82 are therefore forecast at more than 500,000 tonnes compared to a mere 60,000 tonnes last year.

Sugarcane has traditionally accounted for around 6 per cent of the value of India's total agricultural output, covering under 2 per cent of the cultivated area. Over 80 per cent of the sugarcane crop is now under some form of irrigation.

Cotton: The textile strike in Bombay, which has closed down 40 per cent of India's production since January, is not only having a crippling effect on textile exports but has also pushed down domestic demand and prices for cotton.

Cotton production for 1981-82 is expected to be up slightly on last year's 7.85m bales (1.3m tonnes), but if the strike continues, domestic mill consumption of cotton for 1981-82 August-July could be down by 2m bales, or more.

R. C.

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INDIA-IX

INDUSTRY

John Elliott, Industrial Editor, looks at the effects of the Government's latest measures to ease industrial controls

Easing of controls could herald new industrial era

THE MAJOR question now being asked throughout Indian industry is what impact the Government's latest liberalisation measures will have on the operation of individual private sector companies.

Beset by a range of bureaucratic, infrastructure, and labour problems, companies have been hoping that the liberalisations would remove some of the impediments to operating in India.

Major companies are now, however, wondering how significant the changes announced progressively over the past two or three years really are. They know that the political mood is changing in their favour but they are not yet ready to believe that civil service bureaucrats are prepared to relax their hold on industrial controls.

Many companies are worried about the tight hold they believe the Government is maintaining on partially foreign-owned and monopoly companies. They are also concerned that the department of electronics is seriously impeding a potential major expansion of the country's electronics industry.

The Government realises that changes are needed if India's growth rate is not to fall away. One senior civil servant estimates that the 8 to 9 per cent industrial growth expected this year would have dropped to 6.5 to 7 per cent if the most recent changes had not been made. The 1981 figure was 9.6 per cent.

Output

Broadly, companies in most industries are being allowed expansions of capacity of 33 per cent. In practice under the Indian industrial licensing system this could enable them to add 100 per cent or more to their output within a year or so. In addition the list of 19 industries in which large and foreign-owned companies are allowed to operate has been extended to 24.

These changes, announced last month, follow relaxation of the Government's import policy and other more detailed, but significant, relaxations of restrictions governing industrial activity.

They will help large private sector companies more than public sector businesses which have benefited in the past couple of years anyway from some relaxations of Government controls over their investment programmes and their freedom to select technical personnel.

The changes will also not directly affect small companies.

India's industrial policy is therefore being slowly swung by the present Government more in favour of the private sector, despite India's traditional belief in socialist industrial planning and expansion of the public sector.

Senior civil servants stress, however, that the main concessions will only apply for the next few years and that the basic industrial licensing system remains intact. In addition, public sector industries are expanding their scope.

Key question

If this view is correct, India's post-independence industrial policies have now reached the point where private sector freedoms are recognised as essential for economic growth and will somehow have to be accommodated alongside a public sector which has a 55 per cent share of manufacturing industry total investment.

But the question remains about the significance of the changes. When they were announced they were widely welcomed and Mr P. Panikar, secretary general of the Federation of Indian Chambers of Commerce and Industry, says the general feeling is that the permitted expansion has been a very good thing.

Effectively, there are no industrial licensing controls now except for those large companies which dominate their sectors," he says. The main concession is that companies can increase their production by 33 per cent above their best output level in the past five years, which itself can already be 25 per cent above the company's formal licensed capacity under an earlier concession.

In addition, a further 25 per cent expansion is also allowed and an extra 33 per cent will be permitted next year. As a result, output increases approaching 100 per cent or more are possible.

The main official limitation on this is that a company cannot achieve the expansion with a totally new capital investment. It can, however, install "balancing equipment" to raise the output levels of less productive sections of a process to those of the best—providing the "balancing" does not increase the plant's overall capacity by more than 25 per cent.

All large and medium sized companies are allowed this concession, except those which

are "dominant" in their sector and are covered by India's monopoly (MRTP) and foreign-ownership (FERA) laws.

The definition of "dominant" has been relaxed significantly but it will still stop some major companies undertaking expansion schemes.

Some 74 industries, already governed by special regulations, have also been excluded from the concessions. They range from leather goods and watch production, which is reserved for small businesses, to milk foods, which are being restricted to boost basic milk consumption, and to bright steel bars where capacity far outstrips demand.

Bureaucratic controls are by no means the only impediments to industrial progress. Power shortages are hitting almost every industrial centre in India. Bombay is being hit for the first time by sporadic power failures while newer industrial centres like Bangalore and Poona have grown so fast that they have 45 to 50 per cent power shortages at this time of year.

Many companies cover 20 to 40 per cent of this shortage by generating their own electricity using expensive diesel generating sets. But shutdowns and layoffs are still necessary.

In Bangalore, a centre of public sector engineering and electronic businesses, it is said that rapid industrial growth has not only caused electricity shortages and rougher labour relations: it has also ruined the reputedly mild climate by replacing grass and trees with concrete buildings and tarmac roads.

Among individual sectors of industry, electronics and cars are about to go through periods of major change.

A new small saloon, produced by the state-owned Maruti company with Suzuki of Japan, is intended to transform the moribund car market, while the Government is about to launch a new policy to try to instil some confidence and expansion in demoralised computer and other electronic companies.

An ambitious programme to make colour television sets is also under way. At present India has about 50 companies producing black and white sets. Last year they made 500,000.

Next month the Government is expected to license the first 10 or so manufacturers of colour televisions as a first step to ultimately approving perhaps 20 assembly companies and 10 manufacturers of components. At least 15 to 20 companies have so far applied for licences, some

based on imported technology, with the proportion of imported components dropping from 80 to 90 per cent or more in the first year to perhaps 10-15 per cent over six years.

In engineering, the machine tool industry is buoyant, catering for about 70 per cent of India's needs. It is exporting to a wide range of countries including parts of Europe and the U.S. where there is a market for older designs still made in India.

The Industry Ministry has estimated that the machine tool business will grow by 18 per cent in real terms between 1980 and 1985.

Overall, the engineering industry, which accounts for a third of the country's industrial production, is in the "grip of a severe recession" according to the Association of Indian Engineering Industries.

Capacity

Some companies report they are working 60 per cent below capacity and the association said last month that the credit squeeze has led to a sharp fall in production, lower utilisation of capacity, and increased levels of stocks.

Shortage of finance is worrying the Federation of Chambers of Commerce. It wants the Government, which owns and controls the financial institutions, to relax restraint.

"The lack of finance is a very serious impediment to industrial investment which could go up immediately by 25 to 35 per cent and then double in two years, judging by the number of industrial projects now submitted to financial institutions," says Mr Panikar.

The Government does not admit that there are serious financing problems but it does acknowledge that a shortage of working capital, plus the electricity shortages and other infrastructure problems, are likely to restrict industrial growth.

Such problems are likely to cut growth in public sector manufacturing industry from its official target this year of 20 to 25 per cent to only 12 to 13 per cent. The private sector may fall by perhaps 6 per cent from 15 per cent to 9 per cent.

These shortfalls need not be regarded as serious if the general policy of liberalisation heralds a new era in which Indian industry will be able to grow sufficiently to establish itself in world markets.

Industrial commodities show an uneven price trend, but agricultural commodities indicate a declining rate of price increase.

Commodity markets weakened

AFTER hectic increases during the previous two years, the Indian commodity markets have generally weakened during 1981-82.

This was mainly due to such factors as increases in domestic income and better management of supply and demand.

According to the economic survey published with the union budget for 1982-83 the increase in the wholesale price index for all commodities (base year 1970-71) on a point-to-point basis was only 3 per cent in 1981-82 (up to last January only) compared with 14 per cent in the corresponding period of 1981 and 19.1 per cent the year before.

The index covers both agricultural and industrial commodities. While industrial commodities show an uneven price trend, agricultural commodities, especially those with substantial weighting in the wholesale price index, have shown declining rates of price increase. These are briefly reviewed below.

The cereals index rose by 8.3 per cent against 11.3 per cent in the previous year. Pulses fell by 4.5 per cent against a rise of 50.2 per cent.

Edible oils rose only 5.4 per cent against 21.7 per cent while the oilseeds price index recorded an increase of 5.8 per cent against one of 25.8 per cent.

The sugar price index recorded the sharpest fall of 20.9 per cent on the prospect of a record output of over 7m tonnes against only 5.15m tonnes in the previous year. The domestic market requires 4.5m to 5m tonnes and India must either export or build up a sizeable buffer stock to maintain a reasonable degree of price stability.

As both the prospects are at present uncertain the outlook for the commodity market is bearish. The oilseeds price index fell 5.8 per cent against a rise of 5.8 per cent. It is because of a decrease in output,

especially of groundnuts. The latest crop of all oilseeds, including groundnuts, rapeseed, mustard, soyabean and cottonseed has exceeded 12m tonnes, a record so far. According to trade estimates, these would yield 4.5m tonnes of edible oil against a normal demand of 6m tonnes.

Imports of roughly 5m tonnes (almost the same as in the previous year) would be needed to bridge the gap, but the foreign exchange problem would certainly be a constraint. But in anticipation of adequate imports, edible oil prices have continued to weaken.

Price support

The raw jute crop during the 1981-82 jute year (July to June) was again a bumper one or over 8m bales (one bale equals 176 kg) for the third year running.

With a carry-over of nearly 3m bales these equaled supplies much in excess of domestic demand. With the jute mills incurring heavy losses because of a weak overseas off-take their direct purchases were mostly hand-to-mouth so fibre prices were depressed.

But with price-support purchases by the Jute Corporation of India, totalling more than 1m bales, helped to maintain the market in some shape even though fibre prices often fell below the officially prescribed minima in no country as well as Calcutta markets.

In the second half of the jute year raw jute prices improved over the earlier levels mainly because of the Government's jute goods purchase policy which linked official orders for sacking to mills with definite quantities of fibre purchases. Preliminary estimates of a smaller crop during the current jute year have also helped to tone up the fibre market.

The cotton crop for the current year (August-September) is placed at 8.5m bales against 7.5m bales during the previous year. A drive to increase production over the past

20 years or so has helped India not only to attain self-sufficiency but to export cotton in steadily rising quantities.

Exports during the past year are estimated to be 600,000 bales. But during the current year the country may need to export more to arrest the decline in domestic raw cotton prices because of a lower demand resulting from prolonged strikes in the Bombay mills constituting a substantial proportion of the total cloth manufacturing capacity.

As the third largest producer of tobacco in the world India is also a major exporter of Virginia blue-cured tobacco. Her total output during the past is placed at over 850m kg, of which she exported about 100m kg, mostly of the fine-cured variety.

Tobacco prices, fixed at auctions both for home consumption and exports, were more or less steady. As both domestic and export demand are expected to increase, the plan is to raise output to 425m kg, about 25 per cent of which will be of the exportable varieties.

The rubber market was bullish throughout 1981 the impetus coming from a lower domestic output of about 130,000 tonnes, including some 30,000 of synthetic. India has never been self-sufficient in rubber, although output has been steadily increasing.

Varieties of tree with high production potential are being increasingly imported from Malaysia to strengthen the production drive.

India plans to produce at least 200,000 tonnes by 1984-85, but even then there will be a gap of at least 40,000 tonnes between supply and demand. The country currently imports 40-50,000 tonnes of natural and synthetic rubber a year.

The scope for expanding synthetic rubber output is at present limited because of an inadequate raw materials base. A major exporter of candanum, India is no longer able to face

the stiff competition in overseas markets and has been losing ground. Out of a total output of more than 4,000 tonnes the country exported last year 2,437 tonnes.

But since the net value of exports has been falling the plan now is to popularise domestic consumption as a cushion against serious export fluctuations in future.

Tea, a major export earner, had a fairly bad year, financially at least. Auction prices throughout 1981 were generally below production costs. This has created a serious cash flow problem, which is compounded by a tight credit policy. Exports reached an all-time record of 245m kg, but there was no worthwhile improvement in the unit value of exports.

Clouded

The outlook for the current year's crop prospects remains clouded by unfavourable weather in both the north and the south and some shortage is predicted. According to trade estimates the crop may at best reach last year's level of 650 kg, which was down by 25m kg on the 1979 crop.

Although India is not a major producer of coffee, she exported a record 88,045 tonnes out of 145,000 tonnes she produced last year. The plan to produce 165,000 tonnes of coffee by 1984-85 remains unaffected.

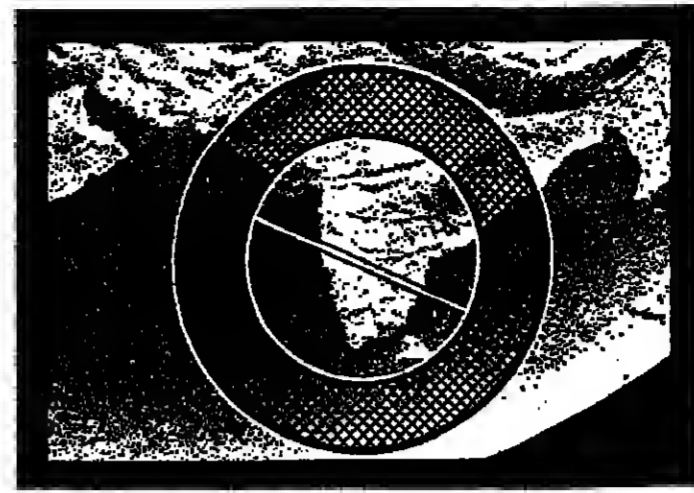
In the primary metals markets, the prices of copper, zinc and lead, in which India has yet to attain self-sufficiency, and of tin and nickel of which she produces nothing, increased during the year at a lower rate than in the previous year—more or less in line with world trends.

If the prices of the commodities under review continue to fall this year inflationary pressures, which are still strong in India, will have been effectively brought under control.

P. C. Mahanti
Calcutta

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INDIA-X

New Parliamentary report is 'a damning indictment' of the operations by nationalised industries

Public sector lacks sense of direction

THE PUBLIC SECTOR of Indian industry and commerce is very large and, by general consent, is also very inefficient. It covers financial institutions, basic heavy industries, basic resources and other areas of manufacturing in a total of 200 national corporations and a further large number of companies run by individual states.

Originally conceived in the 1950s by the former Prime Minister, Mr Nehru, to work for the "social good" and to keep the private sector in check, the industries have now expanded into so many potentially profitable ancillary areas that they lack a general sense of direction.

The Ministry of Finance's Bureau of Public Enterprises has failed to produce clear policy guidelines although it does publish an impressive annual survey of all the industries. Together, the industries employ a total of 25m people—2m in manufacturing which had total capital investment of £12bn (Rs 21,126 crores) last year.

Capacity utilisation is poor (more than a quarter of the industries were operating less than 50 per cent below capacity

in 1980-81). But profitability of the central Government-owned industries has improved, largely thanks to a relaxation of price controls that has enabled key industries such as steel, coal and oil to help turn a £107m (Rs 182 crores) net loss in 1980-81 for the main 169 industries (excluding banking and insurance) into £237m (Rs 403 crores) provisional net profit for 1981-82.

Major loss-makers include some fertiliser plants and some old heavy engineering "sick" industries taken over by the Government in the 1970s.

A damning indictment of the operation and monitoring of the industries is contained in a report, published earlier this month by the Indian Parliament's committee on public undertakings. Echoing sentiments often heard in other countries, especially the UK, the committee said there was an "urgent need to improve the management and ensure that the control systems—internal and external—work well."

The report called for the industries to be given clearer overall objectives and obligations on economic, financial and social matters. Clearer financial and other targets were needed to enable performance to be assessed. The country's five-year economic plans and subsidiary targets did not give enough guidance.

The committee also looked enviously at Britain's system of consultative consumer councils for the industries and recommended that similar organisations should be set up in India.

Finally, ministers should interfere less in management matters. Senior executives and chairmen should be paid more and have more secure contracts of employment.

Delays

Against the background of the industries' general shortfalls in production, persistent losses and increase in capital expenditure, the committee criticised project management. It said that of 49 major projects examined, each costing over about £10m between 1974 and 1979, eight were delayed for more than five years. In six cases cost escalation exceeded 200 per cent.

The Planning Commission—one of five or six agencies dealing with investment and project

approvals—admitted to the committee that there were "gaps in terms of planning and implementation."

These were caused by a lack of information, poor construction performance, inadequate infrastructure (particularly power), management deficiencies, and inadequate attention to planning.

Part of the problem is that the industries have an employment-creation role which often blunts any interest in increasing efficiency. Ministerial interference in management issues (often to find a friend or relation a job or to influence the siting of a factory) also blunts managerial enthusiasm and confidence.

"Overall, the Government keeps in control and the chairmen show abject servility," says Mr W. S. Khosla, the secretary of the Standing Conference of Public Enterprises, which represents the industries. "But it is the managers themselves who are to be blamed entirely for their servility and subservience. They are exercising their own self-interest and usually do not take the authority themselves."

There are many complaints about senior executives, particularly chairmen and executive directors being grossly underpaid. Some say that they could earn two or three times as much in the private sector but insist (particularly if they work in high technology industries) that their job satisfaction is greater because they are responsible for far greater innovation and technological advance than would be possible in the private sector.

There is also some discernible pride in India about working in the public sector, although this is countered by the existence of dishonesty and corruption which, say the critics, public servants need to indulge in because they are so badly paid.

A recent official survey showed that the total remuneration (including basic salaries and all extras) of the most senior executives in the private sector pre-tax was about £13,000 a year (Rs228,000), compared with £5,000 (Rs84,000) in the public sector (including banks). Central Government was lower still at \$4,000 (Rs67,000).

There have also been problems about finding suitable candidates for top jobs and some resentment about recent political appointments, particularly to non-executive chairmanship posts which have no clear responsibilities but can wield considerable power.

In the 1980s and 1970s there was a 200-strong cadre of senior executives, called the Indian Management Pool, which were supposed to fill top management positions. These people were not easily accepted in the industries and the idea was abandoned. But it still has some support both nationally and elsewhere—Karnataka state is considering setting up a cadre of senior people to run its state-owned industries.

The question now is whether the relative importance and role of publicly-owned industries will change at a time when the Government's relaxed industrial policies are favouring rapid private sector expansion. For the time being, India is so short of basic goods that the public sector will not feel challenged.

Nevertheless, for the first time since India became independent, the public sector will have to live alongside a politically favoured private sector. That could cause some changes.

John Elliott

HOW GOVERNMENT MOVES HAVE HELPED BAJAJ AUTO

Benefits of easier controls

BAJAJ AUTO of Poona is one company which appears to have gained already from the relaxation of industrial controls promised by the Government.

A highly successful and profitable manufacturer of motor scooters and three-wheel vehicles called "autorikshas" it has been given basic permission to boost its scooter output from 200,000 vehicles to 300,000 a year.

That permission was gained in less than five months compared with delays of two to three years when it put forward earlier expansion plans.

"The attitude of the Government has changed considerably and it has become more pragmatic," says Mr Jayant H. Shah, the Bajaj executive director. "The policy is now to let major industries expand in a general way."

Bajaj Auto was founded in 1960 by Mr Kamalnayan Bajaj to build Vespa-designed scooters, and the three-wheelers, under licence from Piaggio of Italy. The company is now run by his son, Mr Rahul Bajaj.

With 7,000 employees and sales of \$64m (Rs 1,096bn) in 1980-81, it made pre-tax profits of \$9.2m (Rs 156m). It is part of a broader Bajaj group which has 22,500 employees and is the 14th largest Indian industrial house in terms of sales.

Big orders

But for the past 15 years Bajaj Auto's expansion has been curtailed by the Government's industrial licensing system because it comes under the country's monopolies and restrictive trade practices legislation, having assets of over £11.7m (Rs 200m). As a result, it has a scooter order book stretching 10 to 12 years ahead at present production rates.

When it launched a 50 cc kick-start moped recently, the company booked just over 1m orders in 15 days. At present, it is producing 30,000 of these bikes a year and plans to expand to 100,000—still too little to satisfy the potential customers quickly.

"We don't have a sales department—we have an allocations department. We have never needed to learn how to sell our products after our first year," says Mr Shah.

These high order books graphically illustrate the vast unsatisfied demand in India for some form of cheap personal motorised travel—the moped costs \$380 (Rs 6,500) and the scooter \$480 (Rs 8,150), compared with £3,235 (Rs 72,000) for old Fiat and Morris Oxford-based models which are the only generally available cars.

In 1980, Bajaj Auto started making 12,000 scooters a year and has gradually expanded this to the present 200,000 at its factory in Pune. (Next door is a company called Bajaj Tempo which broke away in the 1980s and now produces light vans.)

Its next expansion to 300,000, which has to clear a few final approvals, will take place at a new factory. This must, by Government decree, be located in a poor rural area—dubbed a "centrally noted backward area"—200 miles from Poona.

To begin with, the scooter was imported in CKD form from Italy but by 1970-71, when the Vespa design licence ran out, the production was entirely Indian. Now the company



Bajaj "autorikshas" on the streets of Pune in Maharashtra.

claims it can compete with Vespa's own scooters in export markets although it has faced some legal battles in other countries.

Some 15 per cent of its production goes in exports, despite the long order books at home as Indonesia (its biggest market), Bangladesh, Taiwan, the Middle East, Africa, Australia, the U.S. and Germany. And it hopes to tackle Vespa on its home ground in Italy as well.

On paper, Bajaj makes a 10 per cent loss overall on these exports, mainly because they involve low-volume production runs. But the benefits outweigh the losses, especially when tax allowances are taken into account.

Like many Indian companies, Bajaj exports partly to fall in line with Government policy. In return, companies are allowed more imports of key plant and materials (such as steel) and will also be dealt with more kindly by bureaucrats on issues such as industrial licensing.

But Bajaj is also setting up export bases which, says Mr Shah, it hopes to exploit more intensively and commercially in future years.

"We also want to test our quality and designs against international standards," he says. "Otherwise, with a 10 year waiting list, we could comfortably slip on standards."

The three-wheeler door-less autoriksha was developed in 1960 from Piaggio's three-wheeler chassis into a mini-taxi. It is now seen in most Indian cities where it infuriates other drivers, sipping in and out of traffic jams and adding to the confusion and noise while providing cheaper if more precarious, travel than conventional taxis.

Pick-up vans, delivery vans and tractor-trailer versions are

also produced. Around 25,000 are made each year, 5 per cent of which are exported. At present the engine is in the middle of the chassis but a rear-engined version is being developed.

Bajaj is also developing a more sophisticated three-wheeler with doors, but has delayed production till 1984-85 after producing some prototypes of a first design that need improvement.

The intention is to sell this vehicle for about £1,290 (Rs 22,000) compared with £1,000 (Rs 17,200) for the autoriksha. But Bajaj has made a definite decision not to tackle the four-wheel car market.

Even a successful company like Bajaj cannot escape India's crippling labour relations.

In a long-running battle over management attempts to link wage rises to improved productivity, it had strikes lasting six weeks in 1978, 19 weeks in 1979, and two months last year. In 1979, violence led to windows being broken in Mr Bajaj's office, acid drums being spilt, the reception area being wrecked, and police being

attacked. The company has also been hit by suppliers' strikes which have cut its production from 60,000 scooters to 55,000 in the past five months. But Mr Shah insists the labour relations are "generally good" and is moderately happy with his improved productivity.

So, in its 22-year life, Bajaj has established itself as India's major scooter and three-wheeler manufacturer. It is also the second largest in the world after Vespa. But it has not yet been able to generate enough output to establish itself as a major manufacturer in world markets.

J. E.

POPULATION AND LABOUR FORCE PROJECTIONS

	1980	1985	1990	1995
Population (Figures in millions)				
Population	659.4	722.4	786.1	869.0
Male	341.2	373.3	405.9	450.7
Female	318.2	349.1	380.2	418.3
Rural	515.6	556.7	596.7	648.3
Urban	143.8	165.7	189.4	220.7
Age structure of population (%)				
0-4	14.1	12.9	12.0	11.2
5-14	25.6	24.2	22.5	21.3
15-59	54.9	56.9	58.9	60.6
60 and above	5.5	5.8	6.3	6.9
Labour force	268.1	302.3	338.9	376.5*
Male	191.2	215.9	242.4	269.9*
Female	76.7	86.4	96.4	106.6*
Rural	215.9	240.6	266.1	291.5*
Urban	52.1	61.7	72.8	85.0*
Age distribution of labour force				
0-14	16.6	17.2	17.4	17.5*
15-59	237.0	268.2	301.7	335.8*
60 and above	14.5	16.9	19.7	23.1*

*These projections are taken from the Sixth Five-Year Plan, 1980-85.
*Relates to 1995

Government sets ambitious targets for growth

Challenge for small businesses

AMBITIOUS TARGETS have been set by the Government for the growth of small businesses. This is despite disappointing results three years ago when the Janata administration placed too much emphasis on them in its industrial policy and despite a continuing problem of business failures.

The present Government wants production in what India calls its small scale sector to rise by about 75 per cent during the five years covered by the current economic plan from £11.2bn (Rs906 crores) in 1979-80 to £19.3bn (Rs2277 crores) in 1984-85. The growth in the preceding five years averaged 9.5 per cent annually.

Employment is targeted to rise from 6.7m people to 8.9m and exports by about 80 per cent on top of a 1979-80 figure of \$617m (Rs1050 crores).

These figures do not tell the whole story because they are based only on information from

400,000 businesses which register with the Government's Small Industries Development Organisation.

The organisation estimates that about half the small businesses in India do not register which means that there may be approaching 1m small businesses in the country.

India talks in terms of small scale industries, rather than individual small businesses, which cover manufacturing and repair industries with businesses having investments in plant and machinery of up to about £120,000 (Rs 20 lakhs).

There is a subsidiary definition of ancillary industries covering sub-contractors and components suppliers, with up to £140,000 (Rs 25 lakhs) of investment.

These groups include village and craft industries, but there is also a smaller size called tiny units which cover smaller village crafts with plant and

machinery assets not exceeding about £12,000 (Rs 2 lakhs).

The promotion of small businesses has been regarded as important in India for more than 30 years because they create employment more cheaply than larger companies and because they can be more easily used to industrialise rural areas.

Large companies have policies of using them as much as possible and the Government actively tries to develop them as part of an integrated industrial economy. In this way they are widely used both as suppliers of components and as assemblers of sometimes fairly technical products.

In electronics, the small scale sector grew by 20 per cent in 1980-81. It produced more than 75 per cent of the black and white television sets, 55 per cent of the tape recorders, and 40 per cent of the control instruments and medi-

cal electronic equipment made in the year.

At the other end of the scale small businesses make handloom materials, handicrafts, helped by the Small Industries and other traditional goods.

The small businesses are Development Organisation, which, along with other agencies and the state-owned financial institutions, runs various financial and managerial schemes.

Both the Government and the financial institutions are trying to find ways to help what India calls its "sick" businesses. The Reserve Bank estimated that at the end of December 1979 about 20,800 small scale units were "sick" because of mismanagement, marketing problems or, most important of all, external reasons such as shortages of power and raw materials, or high rates of interest on loans.

J. E.

FOCUS ON HMT

Poised for further expansion

"THE BUREAU of Public Enterprises once told me the colour to paint the company cars. I refused and got on with running the business," says Mr T. V. Mansukhani, managing director of HMT, the profitable public sector engineering company of Bangalore.

Mr Mansukhani started with the company, previously called Hindustan Machine Tool, when it was first set up in 1953 by the Government to boost India's machine tool production.

Now aged 48, he became managing director of HMT last August and is an independently-minded top executive and is generally recognised as one of the most successful in public industries.

Frustrations are an attitude of mind," he says. "All industries have constraints. My policy is that I don't mind being in the dock for acts of commission, but I do mind it for acts of omission."

"I know I'd get twice as much salary in the private sector, but here I have more freedom. Private entrepreneurs are more constrained. I have more freedom to develop a new product than say, Kirloskar's (a large private sector engineering company).

"With Government finance behind me, I can take a longer term view and need not worry about immediate returns."

Between 1978 and 1981, Mr Mansukhani was seconded to head Bharat Heavy Plates and Vessels, a public sector heavy process plant concern that was losing money. He is proud of the freedom he had to turn it round by diversifying and establishing joint ventures.

The diversification policies of HMT have caused some controversy. After developing its initial business till it was producing 2,000 machine tools a year, it was instructed in 1961 to produce 300,000 mechanical watches a year by Mr Nehru, then the Prime Minister, who believed Indians needed to become more time-conscious.

But the recession of the mid-1960s led the company into more diversifications, which it chose itself, in order to insure against the cyclical machine tool industry. The watch business has been expanded to 2m units a year and, despite objections from some quarters, it started last year producing quartz analogue watches and will soon be making quartz digital watches.

Its other products include lighting fittings, agricultural tractors, ball bearings, and dairy machinery. Now, the company says it is "poised for a big leap forward" by doubling its production to over Rs 500 crores (approximately \$290m) by 1985.

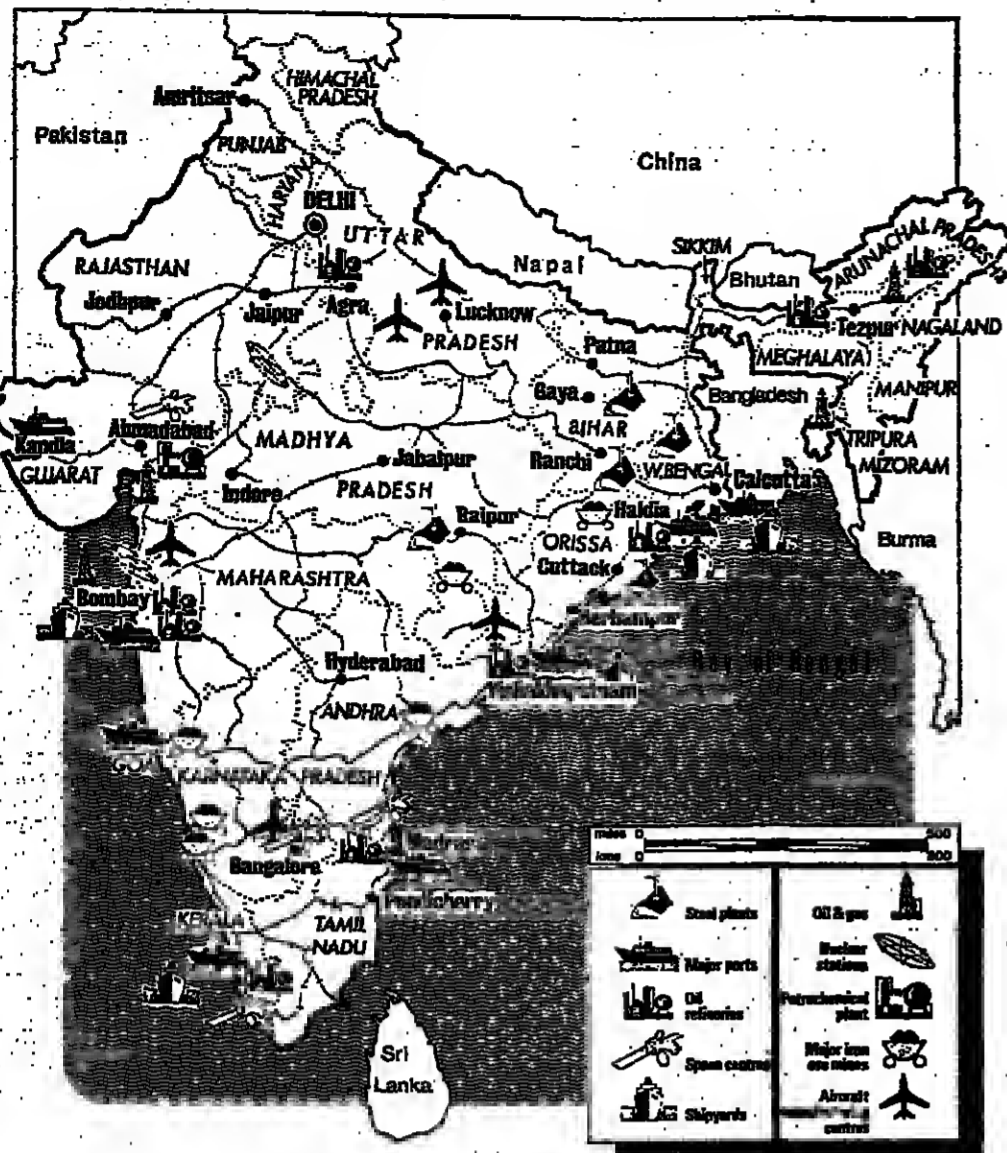
Machine tool output is planned to rise by 76 per cent from just under Rs 160 crores (£58m) to Rs 170 crores (£106m) in 1985 and watch production is budgeted to rise by 70 per cent to Rs 160 crores (£94m).

Provisional figures for 1981-82 show that HMT, which has 27,900 employees, achieved a net profit of Rs 35 crores (£27m) compared with Rs 29 crores (£17.7m) in 1980-81. Sales rose 40 per cent and return on capital employed increased from 10 per cent to 27 per cent.

J. E.

INDIA-XI

LOCATIONS OF MAJOR INDUSTRIES



INDIA'S TOP 10 COMPANIES IN THE PRIVATE SECTOR

Rank	Company Name	Total assets (Rs m)	Rank	Company Name	Total assets (Rs m)
1	Tata Iron and Steel	4,004.5	6	Hindustan Lever	1,688.2
2	Tata Engineering and Locomotives	4,004.5	7	Great Eastern Shipping	1,618.6
3	Scindia Steam Navigation	2,332.7	8	Delhi Cloth and General Mills	1,588.1
4	Associated Cement	2,017.0	9	Reliance Textile Industries	1,523.3
5	Gwalior Rayon Manufacturing	1,720.6	10	Calcutta Electric Supply	1,441.3

Source: Business Standard, figures for 1980.

Considerable potential for electronics

WHEN THE Reserve Bank of India decided to buy a new computer, it chose a U.S. designed Burroughs machine, with ICL of Britain and Sperry Univac (U.S.) as second and third choices. But it was forced by the Government to buy American equipment from Honeywell.

The purchase decision was made unilaterally by the Department of Electronics which is generally blamed by industrialists for restricting growth in India's electronics industry, instead of encouraging advances.

Now the department may be forced to change its stance under a new policy which is being prepared by a team of five top civil servants. The policy is likely to lay down a clear cut strategy which encourages growth and curbs the Department's interference.

At the same time, a rapid growth in the international activities of Indian software houses, which write computer programmes, has helped to underline the considerable potential for electronics in the country.

"Get rid of the bureaucracy and India could become a force and a threat to be reckoned with internationally in electronics applications," says a senior European computer executive.

The problem stems from India's 30-year-old determination to be self-sufficient, economically and industrially. The import barriers which in the past have enabled traditional industries to be developed, have had the reverse effect in the electronics industry. They have blocked the easy and continuous flow of technology, finance and products which are essential in such a rapidly developing business.

While political attention has been focused on high technology industries of special national importance like defence, space and nuclear power—and, most recently, telecommunications—other parts of electronics have become India's most underdeveloped industry. The country has not even started in the race to supply electronics more commercially, while neighbouring countries like Singapore, Hong Kong, Taiwan and South Korea have won valuable prizes.

There is, of course, no massive home market in India for sophisticated consumer and entertainment electronic products. The annual report of the Electronics Department for 1981 shows that as much as 76 per cent of the \$144m (Rs 2,460m) total production of consumer electronics during the year was unsophisticated radios and black and white televisions.

The total production of electronics equipment and components during the year was \$504m (Rs 8,560m) including, in addition to consumer goods, \$111m (Rs 1,885m) for computer control and instrumentation; \$102m (Rs 1,730m) for electronic components; \$90m (Rs 1,540m) for communica-

tions and broadcasting equipment; \$40m (Rs 690m) for aerospace and defence electronic equipment; and a tiny output of \$15m (Rs 255m) from SEEPZ, the customs-free electronics zone set up in Bombay in 1974 to boost the industry.

These are not figures on which major international industries are built, but they could be much larger because there is a home demand that is not being met in the field of communications and industrial electronics.

For example commerce and industry—ranging from power generation to the running of the railways or the functioning of the banks—needs modernisation.

Frustration

"No one in India seems interested in the notion of opportunity costs, that is the cost of not generating power efficiently, or not running railways on time, or letting other parts of the infrastructure foul up," says one frustrated computer executive.

Another side to the problem is that Indian companies spend little in research and development on their own products, having traditionally relied heavily on foreign licences.

The Ministry of Industry estimates that overall as little as 0.2 to 0.4 per cent of company turnover is spent on research—and that is dominated by a few major private sector businesses like the Tata group and Hindustan Lever, plus high technology public sector companies.

India's foreign ownership rules, combined with tight import restrictions, high import costs (duties range up to well over 100 per cent), and a sluggish home market, have scared multi-national electronics companies away. The consequential lack of activity in the country has compounded the problem. The Department of Electronics' refusal to let customers choose what to buy (illustrated by the Reserve Bank story) has further slowed down flows of orders in an industry where technology often has a short shelf life.

"Our policy of self-reliance, coupled with the prohibitively high—for us—price of technology licences, has meant we have continually had to invent the wheel ourselves," says a senior computer executive. "An open-door policy on licence and investors would change things."

India's international image was also hit by IBM leaving the country in 1977-78 after rows over foreign ownership regulations, amid allegations that it had been dumping old technology on India and charging excessively high prices.

There are, of course, Government-owned electronics companies such as Bharat Electronics of Bangalore, which is a profitable 30-year-old business with a \$70m turnover, 80 per cent of which is radar and wireless and other equipment for the Government.

Then there are newer corporations being set up by

individual states. Maharashtra State for example has created Meltron in Bombay which, experimenting in joint public-private financing ventures, makes semi-conductors, private telephone exchanges, and tape recorders. It has applied for a Government licence to make 75,000 Thorn-EMI colour television sets in the next five years.

Private sector companies tend to be small. ICLM of Poona, which is 40 per cent owned by ICL of the UK, has only 460 manufacturing employees and has turned out 100 of ICL's 2904 systems in the past five years. Yet, with Electronic Corporation of India, it is said by the Electronics Department to be the major producer of mini- and midi-computer systems in the country. (It will shortly be producing a version of ICL's System 25 mini-computer.)

Another partially foreign-owned company, Tata Burroughs, manufactures a dot-matrix printer in SEEPZ which Burroughs used to make in Scotland and, briefly, in Brazil. Costs are said to be a third of those in Scotland but the product, made for export only, is running at only half its 25,000-unit annual capacity and its future is now in doubt.

The view is growing that India should not try to go into the business of computer peripherals mass production, nor should it attempt to move into large-scale production and packaging of micro chips which require massive financial investment and easy trading arrangements. But it should be moving into the applications market which could fit in the Government's wish to give preference to small and medium sized businesses.

Its software, writing is expanding rapidly. Tata Burroughs of Bombay, for example, has been expanding its software business at 80 per cent a year since it was set up in 1978. In 1981, its turnover was \$2.6m (Rs 45m).

Systeme, a subsidiary of a UK computer business located in SEEPZ, finds it can undercut UK software prices by some 30 per cent when cheaper Indian salaries, but increased communication costs, are both taken into account.

While a country like Britain is short of some 20,000 to 30,000 computer experts, India has a surplus of well-educated, mathematically astute graduates. "You can advertise for 10 people and take your pick from 1,000 graduates, 700 of whom are engineers," says Mr Ramesh K. Verma, head of Systeme in India.

All experts agree that Indians are specially suited to software work although the lack of sophisticated hardware in India means that most employees are only capable of writing programmes, not designing packages. The ambition of some companies—there are a total of 20 in the field at present—is to develop more local expertise.

John Elliott

CAR MARKET

Period of major change

INDIA'S DOMESTIC car market is about to enter its first period of major change for approaching 30 years. No totally new models have been introduced since the 1950s, when the British-designed Morris Oxford and the Italian Fiat 1100 were launched, along with versions of Britain's Triumph Herald.

Now Suzuki of Japan is linking up with Maruti Udyog, the state-owned car company founded in the mid-1970s by Mr Sanjay Gandhi, the late son of the Prime Minister of India, to produce an 800 cc four-door car.

Subject to final negotiations, a formal agreement-signing ceremony is scheduled for the end of next month. Maruti then hopes to start producing Suzuki cars with pick-up truck and mini-van derivatives by the end of next year, building up rapidly to a production rate of 100,000 vehicles a year to be followed later by 150,000.

Although small by international standards, this rate of production will transform the private car market in India which has become moribund in a vicious circle. The old designs have demotivated potential customers and have therefore restricted demand and output, so making it uneconomic for new designs to be developed.

Although plans, through the 1980s and 1970s, to produce a small "people's car" floundered through lack of interest and funds.

Rapidly rising oil prices in the 1970s gave the quest for a new car some urgency, but it was not until 1980-81 that the Government and the newly-nationalised Maruti seriously started looking for the foreign partner.

Maruti and the Indian Government turned to Japan last autumn when they could not find the car they wanted in Europe. Their aim was an engine of under 1,000 cc, a four-seater family car with four wheels and four doors.

They wanted good fuel economy, which meant they rejected older designs that might have been available cheaply (the BL Ital, for example). They also wanted one engine and a basic product to be easily adaptable into a pick-up truck, mini-van or micro bus.

Criticism

There is some doubt in India about whether the country could absorb the full 100,000 to 150,000 production, in addition to the 50,000 or so other cars that are produced. This criticism appears to have been met by Maruti, adapting its plans last year, so that 60 per cent of the production will be the small commercial vehicles with only 40 per cent being cars.

The Japanese easily undercut the Europeans on price. Suzuki won by being the lowest and also by being willing to take the largest equity stake—25 per cent with an option of up to 40 per cent.

The project is likely to cost in excess of \$117m (Rs 2bn) and is to be accommodated in an 80,000 sq m factory already built for Maruti on a 3,000-acre site outside Delhi.

To begin with, 65 to 75 per cent of the vehicle will be imported from Japan, reducing to 10 per cent in five years, according to Maruti's plans.

Other parts of the motor industry are also feeling the pressure of Japan's invasion of world markets. Suzuki may soon start making inroads into the Indian moped market and Toyota two to 3.5 ton commercial vehicles are to be made in the Indian private sector by DCM (Delhi Cloth and General Mills) under a pact signed last month. Nissan is also negotiating with Ailwyn Metal Works, publicly owned by the state of Andhra Pradesh, for the production of 1.5 to 3 tonnes vehicles.

Meanwhile, there are three other private sector developments in the domestic car business. First, a small company called Sunrise Auto Industries, which has produced fibreglass three-wheelers in Bangalore for the past seven years, is about to launch a new model under licence from Reliant Motors of the UK.

This is a four-door fibreglass, conventional-looking modern saloon called the Dolphin. It is based on the Reliant Kitten, launched on the UK car market in the mid-1970s. Production starts this month and the company says it already has orders booked for the 6,000 or so cars it can produce till June 1984.

Premier Automobiles of Bombay are spending \$58m (Rs 1bn) modernising its main factory and developing another plant to switch gradually from its 22-year-old Fiat 1100 design to the Spanish Seat 124 (based on the Fiat 124).

Hindustan Motors of Calcutta is carrying out a similar exercise, buying a redundant design from Vauxhall Motors in the UK to update its Ambassador, which is based on the Morris Oxford. But neither Premier nor Hindustan will have totally new cars, merely facelifts, possibly with some engine modifications, so they will not have the fuel economies and other modern styles of the Suzuki.

J. E.

Trade union activity in India is governed by a combination of opportunism, inter-union rivalry and genuine, widespread discontent. The number of man days lost, through strikes and lock-outs, makes alarming reading.

'Crisis' in industrial relations

MR S. A. DANGE and Dr Data Samant are two very different men with one thing in common. The former is frail, articulate and a life-long Communist, the only Indian to have been awarded the Order of Lenin.

He sits in his book-lined flat in the heart of Bombay's textile district, surrounded by pictures of Marx and Lenin, coming to terms with the decline of his influence as the founding father of radical trade unionism in India.

His union, the pro-Moscow All-India Trade Union Congress (AITUC) seems demoralised and confused, like the Communist movement itself—in Mr Dange's own words, "at a standstill."

Dr Samant, on the other hand, is the rising star on the horizon of India's industrial relations scene.

Large, brooding with no discernible intellectual interest in politics, he is widely seen as posing the biggest threat in years to the state of Maharashtra and its capital Bombay, between them the power-house of India's industry and commerce.

What the two men have in common is that, a decade apart, they have led the two longest strikes in India's textile industry, the country's biggest export earner and largest employer outside the Government sector.

The Dange-led strike, just over ten years ago lasted three months.

Dr Samant's passed that mark at the end of last month and now looks set to become the most damaging strike ever in the key industrial sector, adding yet another notch to his gun.

It has also shaken India's biggest trade union—the Indian National Trade Union Congress (INTUC)—to the core, posing a fundamental challenge to its authority.

The INTUC was (and still is, officially) the recognised representative of Bombay's 250,000 textile workers.

Demoralised and disaffected, they responded, almost overnight, to a strike call from Dr Samant in January, exposing all

appeals from the INTUC to return to the fold.

What makes Dr Samant's challenge even more potent is that the INTUC is closely tied to and supports the ruling Congress (I) party of Prime Minister, Indira Gandhi.

All of India's ten central trade union organisations are, to a greater or lesser degree, committed to political parties.

Mr Dange's AITUC is effectively the industrial arm of the pro-Moscow Communist Party of India (CPI).

The Centre of Indian Trade Unions (CITU) is its counterpart with the Communist Party of India Marxist (CPIM), which broke away following the Sino-Soviet split in the early 60s and has since emerged as the dominant force on the extreme left of the Indian political spectrum.

Most other major political parties have their tame unions. They, in turn, have over 20,000 plant unions affiliated to them.

A small number of companies, among them foreign-owned ones, have managed to encourage genuinely independent plant unions—there are no craft unions in India—but even these are often susceptible to blandishment of "political unions."

gradual disintegration of the nationalist consensus—behind the Congress Party since independence in 1947.

The rise of Dr Samant has prompted warnings in the words of one captain of industry, that India is caught in "a crisis of deteriorating industrial relations."

Although there has been an improvement since 1980 the figures make alarming reading. The number of man-days lost in 1981, due to strikes or lockouts, was nearly 26m, against 21.93m the previous year and 43.83m in 1979.

In Maharashtra alone, 87 industrial units closed in 1981, the state accounted for over 10m man-days lost that year or nearly 40 per cent of the country's total.

This year's figures will be swollen by the textile strike. As many as 15 mills may have to close.

Industrialists, the Government and moderate trade unionists also point to the violence which seems to accompany strikes. This has been a traditional feature of the labour scene, but now prolonged strikes are frequently accompanied by rioting or intimidation.

The authorities, in turn, are as firm as they dare in dealing with this violence. Very occasionally there are brutalities as in the case of a small sit-in at a factory in Uttar Pradesh, where between two and 35 workers were killed after police intervened to break the protest depending whose version is correct.

This kind of over-reaction appears to be the exception rather than the rule.

The Government has wide-ranging powers to deal with labour unrest firstly under the National Security Act and, secondly, under the Essential Services Maintenance Act which allows it to declare any industry an "essential one" and prohibiting strikes.

In Bombay, the state's Industrial Relations Act officially governs the recognition of official unions but, as the Samant case demonstrates, is unenforce-

able. While being a vocal and often disruptive force which tends to go in for long strikes of anything from three to 12 months in herculean trials of strength with employers, India's industrial worker is a tiny proportion of the total workforce.

Out of a total population of around 690m the working population is 260m. The total employed on the organised or industrial and commercial sectors of the economy is barely 22m. Of these, 15.6m are in the public sector and around 7m in the private sector. The unions operate almost exclusively in the islands of affluence.

Disruption

Most disruption is inevitably concentrated in the industrial heartlands of India—Maharashtra, West Bengal and Gujarat. This is partly because of the concentration of industry but also because trade unions are locally run and focus their activities on the interests of their immediate members at plant, or at best, local industry level.

One of the consequences of this is that the industrial worker is now in a new and privileged class when seen against the mass privation of a country where perhaps half the population lives below the poverty line.

The daily wage of an unskilled worker in Bombay may be as high as Rs 55 a day (\$6.8) while his counterpart in Tamil Nadu may receive one rupee.

As Dr Samant's opportunism demonstrates, trade union activity is governed by a combination of opportunism, inter-union rivalry and genuine and widespread discontent.

There are currently estimated to be anything up to 40m unemployed or underemployed workers in India.

If the population continues to grow at the present rate 10m new jobs may be needed within six years. The budget economic survey claims 600,000 jobs were created last year.

Alain Cass

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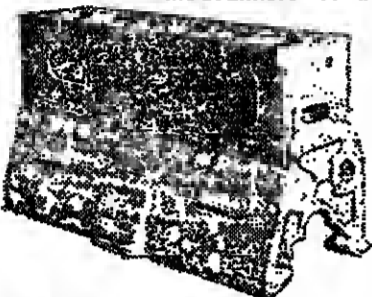
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INDIA—XII

A relaxation of stringent import and export regulations points to a change of emphasis, says Richard Cowper.

Better climate for foreign investment

AFTER MORE than half a decade of declining (or, at best, stagnating) foreign investment levels, there are now signs that foreign companies with money to spend are taking a fresh look at India. At a well-publicised international seminar in Geneva, earlier this year, Mr Narayan Datt Tiwari, India's Minister for Industry, made what some top Indian civil servants say was an unprecedented call for BEC companies to invest in India. And on her visit to Britain in March, Mrs Ghandi personally called on British businessmen to do the same. As D. R. Pendse, a senior economic analyst at Tata Services, puts it: "The hostile Indian attitude to foreign investors at the top has gone."

That is not to say, however, that India is about to embark on a radical shift in its foreign investment policies. There is no prospect of an "open door" to overseas investors. Over the next few years the prospect is for a slow but steady increase in foreign equity investment, though few expect there to be a dramatic jump. However, noble the intentions of senior Government officials, the maze of bureaucratic controls, which have for long dogged domestic and foreign investor alike, will continue to dampen enthusiasm of potential new foreign investors.

In the immediate future, by far the largest increase is likely to come from foreign companies already operating in India.

Most foreign companies with subsidiaries in India are agreed that the last couple of years has seen an encouraging and important shift in the policies of India's economic planners.

As some see it, a fortunate conjunction of economic necessity (sluggish industrial growth and balance of payments problems, largely due to high oil imports) coupled with a growing conviction that the economy has been stifled by too many controls and an essentially inward-looking philosophy has jolted India into taking a series of measures aimed at what is loosely described as "liberalising" the economy. The decision to borrow sizeable amounts on the world capital market for the first time last year (\$1.55bn in 1981-82), the recent move to allow large domestic and foreign companies to expand into new areas of business and a relaxation of the country's stringent import and export regulations are telling examples of the Government's change of emphasis in key policy areas.

In a country, where for several decades centrally planned control and self-sufficiency have been the economic watchwords, the recent shift in policies—however modest—has taken on a special significance. In a bid to overcome some of the doubts which have assailed foreign companies, however, the Indian Government may be prepared to take a more pragmatic approach in enforcing Fera rules. Though many existing ventures have already complied with the Government's demand to reduce equity to 40 per cent, a number of those that have not may be allowed to maintain a controlling share as a result of a more liberal application of the rule which allows high technology companies to hold up to 74 per cent. The cases of Siemens, Union Carbide, Hindustan Lever and GEC are under consideration.

Elsewhere, the Indian Government has made it abundantly clear that it is now prepared to go quite a long way towards making it attractive for certain categories of foreigners to invest in India, most notably non-residents of Indian origin and investors from the Middle East.

Key areas

The Foreign Exchange Regulation Act (FERA) of 1973 which forced many existing foreign ventures to reduce their holdings to 40 per cent and soured the investment climate for the rest of the 1970s will not be repealed. And the Minister for Industry has made it clear that the Government still wants to confine foreign investment to key areas of the economy, most notably those which involve high technology or are largely export oriented.

As a recent Government investment profile points out, New Delhi will continue to prefer collaboration agreements which involve the sale of technology rather than equity participation, and with the exception of export processing zones and extremely sophisticated technology the Government will not be keen to allow new investors to take a controlling share in a joint venture, though some exceptions may be made.

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Just over a year ago New Delhi opened its investment doors on special terms to Middle East oil-exporting countries, residents of which are allowed to hold up to 40 per cent equity in a joint venture without imparting any transfer of technology at all. A serious bid is also being made to attract investment funds from the 8m or so non-resident Indians living abroad. Though remittances from Indians overseas are already a major factor in India's economy (an estimated \$5bn in 1981) the Government believes that there is still a large untapped market, particularly among the professional and business classes. In his first budget speech as Finance Minister, in February, this year, Pranab Mukherjee, announced that non-residents of Indian origin would now be treated on the same footing as Indian nationals in a number of investment areas, and would for the first time be allowed to purchase shares on the Indian Stock Exchange.

Though these two policy changes have yet to produce notable results, one area which has is the opening up to foreign investors of oil and gas exploration and production. Earlier this year, Chevron of the U.S. became the first foreign company to sign an exploration and production agreement with the Government. And New Delhi is currently reviewing the terms and conditions of the blocks on offer, and is expected to put out a second more attractive round soon as part of its all out drive for energy self-sufficiency.

Another policy change this year that could help to boost investment is the decision taken in March to allow large domestic and foreign companies to move into areas that were hitherto reserved for the public sector and smallscale industry. Foreign companies are now eligible to produce passenger vehicles and steam turbines, to name but two areas. Suzuki of Japan, for example, now seems set to take an equity stake in a new joint venture to make a so-called people's car, thus providing Indians with an alternative to the two outdated brands of automobile currently on the market.

Amongst British and German companies there is no great excitement but an air of cautious optimism now prevails in strong contrast to negative attitudes which had prevailed until recently.

In the words of Dr Guenter Krueger, the executive director of the Bombay-based Indo-German Chamber of Commerce: "Compared to the stagnating 1970s, we can now expect a slow but steady increase in foreign investment, with the occasional jump for larger projects. The Indian Government's previous aggressive anti-multinational stance has moderated, but the maze of bureaucratic controls is still a powerful disincentive."

Non-resident Indians can now acquire equity in Indian companies up to 40 per cent of the total capital and repatriate their investments after some time subject to certain conditions. According to the Reserve Bank, this facility has lately been further liberalised.

Non-resident Indians can also buy as portfolio investment Indian company shares up to a certain monetary ceiling, based on face value with the accompanying benefit of selling it at any time for capital gain or other reasons and repatriate both the capital and the gains. Many see in this the possibility of substantial Arab money coming into the Indian stock markets through non-resident Indians, based in the Middle Eastern region.

It is well known that Arab financiers are keen to acquire the shares of well-established Indian companies which they cannot yet do directly. A large part of the black money which used to be

Foreign collaborations involving foreign investment (U.S.\$m)

Year	Number	Amount
1970	32	2.6
1971	46	6.3
1972	35	6.8
1973	34	3.1
1974	55	7.3
1975	40	3.5
1976	39	7.6
1977	27	4.4
1978	44	10.2
1979	32	3.1
1980	74	9.7
1981	11	—

WB—Total new private direct investment approved 1970-80 amounts to just under U.S.\$70m at current prices. Source: Government of India.

Foreign investment in India* (at the end of March)

Year	Rupees in \$USm (†)
1970	16,410
1971	16,800
1972	17,560
1973	18,570
1974	19,430
1980	20,000

*The Indian Government stopped issuing annual investment figures for years after the Foreign Exchange Regulation Act of 1974. †Exchange rate: 9.2 rupees=\$US1. ‡The figure for 1980 was given to Parliament by the Finance Minister on June 6, 1980. The rough estimate of Rs 20bn crores at the end of March, 1980, clearly indicates a decline in foreign investment in real terms after 1974. (A crore is 10m). Source: The statistical outline of India.

How to survive a cold climate

WHEN Mr J. B. Gibbons packs his Bombay bags to head back to a somewhat uncertain future in Britain later this year, he will be bringing to an end what even he admits has been a unique century-long Anglo-Indian business relationship. Founded in 1868 by a British teak baron, the Bombay Burma Trading Corporation, says Mr Gibbons, was Indian controlled from the start, more than 100 years before the "infamous" foreign exchange regulation act (FERA) sent shivers down the spines of so many foreign-owned companies operating in India.

This, however, did not stop the company's worldly wise Indian directors from continuing to choose a British managing director to oversee the company's increasingly diverse holdings. Mr Gibbons is the last of that long uninterrupted line of British business gentlemen. When he goes he will be replaced by one of his Indian colleagues. "I have enormous admiration for the ability and diligence of Indian businessmen. If you can survive and make money in this restrictive climate you must be really very good," he says.

Mr Gibbons has lived and worked in India happily for well over a decade, but he is under no illusions as to the enormous problems which businesses have to face. He says there are "some signs of a more pragmatic approach coming along" but he expects "government interference at every level to continue to be the most fearsome obstacle" facing businessmen and the economy. "One is bemused in with a plethora of restrictive laws on production levels, foreign exchange, wages, imports—you name it. It took us five years just to get the papers ready to start our new electronics factory. The cost to the public is enormous and it stifles innovation and productive enterprise. Our finance director spends about 80 per cent of his time devoted to seeing us through the seemingly ever-growing maze of regulations."

Mr Gibbons maintains that it is much easier for the large companies like the Tatas or the Birlas, which have the resources, to cope with these problems. "But for the middle

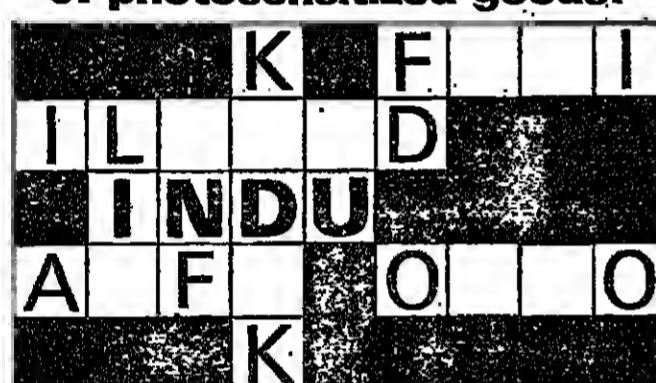
to small-sized operation the extra costs and time involved can often kill off at birth a potential new business venture. "A much too large a proportion of the skills and energy of some of my best employees are devoted to beating the system," he says.

Even with a new approach to the economy at the top, Mr Gibbons wonders if it will turn out to be in the personal interests of the Indian bureaucracy or the country's politicians to lift the plethora of controls which have done so much to boost their living standards. Unless there is a sharp increase in government wages and a determined effort to use the full might of the courts to stamp out bribery and corruption the problem is likely to remain severe with all the losses in efficiency and innovation that this entails.

"It's fun doing business here. You can even make money. But there is enormous untapped talent and resources which needs to be productively used. Under the present high cost, bureaucratic system, energy and talent are misdirected. The economy is slowed down and it is the Indian public that foots the bill."

R. C.

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U.S. Investment in India (U.S.\$m)

Year	Amount	Growth (%)
1975	267	—
1976	363	-1
1977	337	-7
1978	328	-3
1979	341	+4
1980	396	+14

Source: U.S. Chamber of Commerce.

Steady increase

These and a number of other measures should result in a steady increase in foreign investment over the next few years, bringing to an end over half a decade of stagnating or declining investment levels. From 1970 to 1980, for example, new private foreign equity investment in industry approved by the Indian Government was less than \$70m—an average of just over \$7m a year. Even with a significant percentage increase in annual flows, comparison to many other Third World recipients of foreign investment the amounts are still likely to be small, however. Even with a more positive

Stockmarkets find the going easier

IF THE Indian stock markets have been playing an increasingly important role in the economy in recent years as a source of equity and longterm capital it is due to the following fundamental factors: Mrs Gandhi's pragmatic economic policies giving greater freedom and initiative to the private corporate. The corporate sector's generally good performance, giving attractive rates of dividend which attracts more risk capital in an inflationary economy. A growing inability of public financial institutions to provide funds for the corporate sector's expansion and diversification programmes due to a shortage of their own resources. In order to enable the capital market play its role more efficiently the Government (even the Janata government did this) has been taking measures to make equities more attractive to the investor.

Firstly, investment up to Rs 10,000 in the shares of companies was made tax-free. Now the limit has been doubled to Rs 20,000. Interest rates permitted on company debentures have been raised to 13.5 per cent on the convertible variety which also carries substantial appreciation prospects and as high as 15 per cent on non-convertibles.

To help the corporate sector retain more of its earnings, corporation tax surcharge has been cut to 2.5 per cent from 7.5 per cent and generous investment allowances are allowed for ex-

pansion and diversification projects, as well as for new companies. The latest budget of Pranab Mukherjee, the Central Finance Minister, has not given more direct tax relief to the corporate sector nor depreciation allowances at an accelerated rate as the stock markets had been expecting, but it has, by allowing non-resident Indian investment in the stock markets, widened and strengthened the capital market in a dramatic way. Non-resident Indians can now acquire equity in Indian companies up to 40 per cent of the total capital and repatriate their investments after some time subject to certain conditions. According to the Reserve Bank, this facility has lately been further liberalised.

Non-resident Indians can also buy as portfolio investment Indian company shares up to a certain monetary ceiling, based on face value with the accompanying benefit of selling it at any time for capital gain or other reasons and repatriate both the capital and the gains. Many see in this the possibility of substantial Arab money coming into the Indian stock markets through non-resident Indians, based in the Middle Eastern region.

It is well known that Arab financiers are keen to acquire the shares of well-established Indian companies which they cannot yet do directly. A large part of the black money which used to be

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INDIA-XIII

DOING BUSINESS

RODERICK ORAM examines a booming, multifaceted system that is almost half as big as the official gross national product

Black economy is deeply entrenched

INDIA can boast two economic systems. The plodding official one is hampered by the iron corner of Government controls and regulations, producing moderate growth in worthy activities.

The black one, in contrast, is booming as Indians turn increasingly to it out of frustration with the white economy.

Try to control the price and distribution of essential commodities and black marketers will develop a parallel free economy; try to insist on production of room fans and wealthy consumers will find black supplies of the video tape recorders they want instead.

The black economy is so deeply entrenched that the country depends on it to meet a few basic and many not-so-basic needs that the official economy cannot or will not.

A catalogue of the not-so-basic needs can be found in the pages of "Bombay—the city magazine." It is a slick publication propagandising to a wide and eager audience a beautiful people lifestyle which few could afford under the austere white economy.

"To help its readers afford the goodies, the magazine recently ran a book review of 'Tax Planning for Secret Income (Black Money)'. "

Part three of the book explains how to generate black income. Staff of Bombay's International Book House say it is selling like hot cakes.

The black economy has also become indispensable to political parties as their primary

source of funds. Together these economic and political forces combine to create a free wheeling—and dealing—system.

The system is multifaceted: a sumptuous wedding feast for 2,000 guests; a 10-fold rise in prices in five years for space in a prestigious Bombay real estate development; abundant supplies of some luxury goods; and the forced resignation in January of the Chief Minister of Maharashtra State after he allocated cement contributors to his "trusts" are a few diverse examples.

The size of the black economy is much debated. A January article in Economic and Political Weekly of Bombay estimated that it was almost half as big as the official gross national product in 1979, or about Rs 470bn.

Using the same U.S.-developed methodology the U.S. black economy is compared to the size of the GNP. Italy's one-third and Britain's one-tenth.

The applicability of the methodology to the Indian economy can be questioned. But if the actual size is unclear, its growth trend is not. The black economy was about one-tenth the size of the white as recently as 1983, the article found.

It is not a unique phenomenon, Indians stress—"only the brazenness and difference of degree distinguishes India's black economy from other countries," a senior executive of a prominent company said. He and similarly situated

businessmen emphasise that their relatively high salaries and generous perks allow them to live entirely in the white economy.

The main causes of the black economy are: high income, sales and other taxes, the ineffectual enforcement of tax laws, the all-pervasive system of licensing and controls of economic activity, and the pressure to generate unrecorded money to fund political parties.

Mr L. K. Jha, one of India's most highly regarded civil servants and head of the Economic Administrative Reforms Commission, said the fundamental reason is that people want a higher income than is permissible under the white system.

Origins

Dr Bhabatosh Datta, a distinguished Calcutta economist, said the black economy took root during the Second World War when sharply rising prices encouraged people to hide some of their profits and income. This black income could only be used to fund more black activity so the black economy took off. The 1971 Wanchoo Commission on the black economy investigated this vicious circle.

Black money "is widely used for conducting business transactions, smuggling gold and luxury articles, purchasing illegal quotas and licences, financing secret commissions, giving donations to political parties, acquiring assets in (anonymous) names, etc. behind the vulgar display of wealth

which is evidenced by ostentatious living and lavish expenditures on weddings, festivals, etc. is the scourge of black money," concluded the commission which was chaired by the Chief Justice of the Supreme Court.

The system could be seen as no more than a sophisticated free market at work alongside the tightly controlled economic system, with the combined economies performing far more satisfactorily than the official statistics indicate. Per capita income, for example, could be fully 50 per cent higher than stated.

However, there is widespread concern about the black economy's distortion of the white economy. The loss of tax revenue reduces the Government's ability to finance development. Tax dodgers are conspicuous consumers whose cash pushes up prices.

Dr Datta considers black income as one of the fundamental causes of inflation. Moreover, black income tends to find its way into unproductive assets such as gold rather than into the financial system where it could be invested in industrial growth.

Government policy is undermined by the financial assets and economic activity outside its control. When the Government is pursuing, for example, a tight monetary policy to curb inflation, companies and consumers can turn to the "black market" for the funds unavailable through financial institutions.

Mr Krishna Raj, editor of

"Economic and Political Weekly," detects increasing public disaffection over the black economy and the related corruption of the political system.

The Bombay High Court found in January a direct quid pro quo between the allotment of cement and donations by builders to trusts set up by Mr A. R. Artulay, Chief Minister of Maharashtra.

Mr Artulay was remarkable for his openness. He was completely candid about the trusts, saying their funds were distributed to the needy who he felt were more worthy beneficiaries from the profits of black market cement than the black marketers. Recipients were no doubt impressed that the money was handed out in the name of the Congress Party and Mrs Gandhi.

Attack

This erosion of the political system and change in morality in public service was attacked in a widely quoted speech earlier this year by Mr B. K. Nehru, Governor of Jammu and Kashmir, who is also Mrs Gandhi's uncle.

Tax evasion is a low-risk activity. A senior official of the board of direct taxes said that income declarations up to Rs 100,000 are accepted at face value. The board's 4,600 inspecting officers and commissioners seek out bigger fish, bringing approximately 400 prosecutions a year, mostly of self-employed businessmen.

From time to time the Government taps the black economy directly. In 1985 and 1978 it declared amnesties on undisclosed incomes, the latter netting Rs 7bn. A bearer bond scheme floated in fiscal 1982 raised Rs 10bn, equal to about 40 per cent of the annual income tax take.

More recently the decision to deregulate cement prices, it is hoped, will channel funds circulating in the black economy back into the white as the black market collapses.

One of the greatest blocks to curbing black income is the fact that the agricultural sector, equal to almost half the Gross National Product, is exempt from income tax laws. This makes agricultural activity an effective "laundry" for black income.

How the Government is loosening up the licensing system

More scope for the private sector

THE MAN who is trying to bring some sense to India's complex and strangling system of industrial controls is the man largely responsible for developing them in the mid-1950s.

Then, Mr L. K. Jha was the senior civil servant on economic matters. Now he heads the Economic Administration Reforms Commission (EARC) which Mrs Gandhi set up in March, 1981, with a two-year mandate to suggest bureaucratic changes.

In between his two involvements with controls, Mr Jha has held such diverse posts as Governor of the Reserve Bank of India, Ambassador to Washington, Secretary to Mrs Gandhi and Governor of Jammu and Kashmir State.

Few civil servants in Delhi can match his standing, which indicates the importance Mrs Gandhi attaches to the EARC and the difficulty of changing the deeply entrenched system of controls.

All but a few people acknowledge the need for some controls because India will long remain a country of scarce resources. Most people believe, however, that excessive controls are hampering economic development.

The Government's approach seems to be to tinker with the existing system to make it more efficient and less comprehensive. The private sector can have a looser rein and a somewhat larger role but the Government will not undertake a fundamental reworking of the control system.

"We're not trying to produce a magnum opus, we're hoping to produce reports as we complete studies of topics where practical action can be taken," Mr Jha said.

Thus, the EARC has given the government suggestions for improving the working of the

Monopoly and Restrictive Trade Practices Act. Only later does the commission hope to assess the usefulness of the act.

The Government's piecemeal approach was demonstrated last month when Delhi announced its biggest liberalisation of industrial controls in nine years.

The changes opened up almost 50 new fields to the private sector, allowed many companies almost automatic approval for substantial increases in licensed capacity and promised speedier handling of licence applications.

The new fields, running from ferro alloys to printing equipment, either had been reserved for the public sector or small businesses, or no more licences were to be issued because existing capacity was deemed to be sufficient.

New rules

The new capacity rules, which apply to companies with less than a one-third market share, will allow a one-third expansion from the company's best actual annual production. Previously, expansion was based on the five-year average output up to the licensed capacity. This change removes the threat of prosecution for producing more than licensed.

The package has marked "an overdue change in policy," said Mr B. P. Gurnaji, secretary of the Bombay Chamber of Commerce and Industry. "We hope this is only the first instalment."

The Government said it will review the effect of these changes in a year. Mr Gurnaji believes that further liberalisation will depend on how well business has responded.

Similarly, businessmen will be keeping an eagle eye on the bureaucracy. They are worried that some ministries might backpeddle on liberalisation because they have independent thoughts on policy matters.

Chemicals and electronics are believed to be two such areas and it will take at least two months to judge the bureaucracy's acceptance.

One more change that would help smooth an application's passage through the bureaucracy is believed to be in the pipeline. This is "single point clearance" for applications. Currently, a Government secretary distributes the paperwork to the relevant departments. Often as not, applicants spend excessive time, effort and sometimes money to get the files moved from desk to desk.

There is no lack of scope for additional changes. Controls have become so complex "that even the executive authorities responsible for implementing controls are unaware, at senior levels of the exact control system which they have to implement," the Dagli Committee on the topic concluded in 1979.

The main ones are the Industries (Development and Regulation) Act covering such subjects as capacity licences, the MRTP Act which is supposed to stop powerful groups dominating business, the Foreign Exchange Regulation Act dealing with such matters as foreign ownership of Indian companies and foreign exchange, the Essential Commodities Act which empowers the Government to control the price and distribution of goods, and the Industrial Policy Resolution of 1956 which laid down basic guidelines on who can do what. There have spawned a plethora of minor laws, executive directives, administrative edicts and judicial interpretations.

The objectives then and now of controls are: to channel investment into priority industries and regions; to tailor industrial capacity to planning targets to avoid wasteful com-

petition; to encourage new entrants and broad-based ownership to counter the power of the big combines; and to foster greater efficiency by demanding the best technology.

Controls seemed beneficial initially. Industrial output grew at a real average rate of 7 per cent a year from 1951 to 1965, according to Mr Ashok Jaitly, a senior civil servant who is writing a book about industrial planning.

But the rate fell sharply after a partial liberalisation of controls in 1966. The changes then, bearing a close resemblance to this year's, included the delicensing of a few industries and the easing of both the monopoly policy and price and distribution controls.

Only the chemical and electrical equipment industries maintained an average annual rate of growth of more than 5 per cent from 1966 to 1981. The all-industry rate was 4 per cent.

Proponents of controls said that industry performed better under tighter control and failed to respond to the liberalisation 15 years ago.

Opponents of controls said industry failed to grow more rapidly because the liberalisations were in an ad hoc fashion lacking any long-term framework, a criticism applicable to this year's changes.

Imbalances

If there's doubt about the effect of controls on industrial growth, there is no doubt about the failure of their other objectives.

The Indian economy is suffering from severe structural imbalances. On one hand steel, cement and other products vital to economic development are in critically short supply. On the other hand, supply of luxury consumer items such as high quality textiles is excessive.

Some cities such as Pune, Bangalore, Hyderabad and Delhi have industrialised. But the three most industrialised states—Maharashtra, West Bengal and Gujarat, with the traditional manufacturing centres of Bombay, Calcutta and Ahmedabad—received nearly half the industrial licences issued 1973-75.

The three most backward states—Orissa, Bihar and Kerala—got 7 per cent.

Moreover, Maharashtra and Gujarat received 44 per cent of the Central Government's industrial subsidies in the same period while Orissa and Bihar received none.

Many companies subject to the MRTP Act (the threshold is net assets of Rs 200m, or a one-third market share) have become adept at manipulating the system. Their contacts and information sources ensure they are at the front of the queue when new licences are opened up on a first-come/first-served basis and they can chase their applications through the bureaucracy.

"It's not a production strategy that decides profit but the ability to corner licences," a Delhi economist said.

Yet businesses which have benefited from controls eagerly advocate a loosening up of the system. They are confident they can maintain their influence over their industries while enjoying a greater freedom of action.

Stock markets move ahead

CONTINUED FROM PREVIOUS PAGE

invested in commodities has reportedly moved into the stock markets. The proof of this was seen on Bombay Stock Exchange during April and May last year when share values rose daily or even hourly to unprecedented heights. It was as if a bit of Hong Kong had suddenly come to an Indian stock market.

The point is that although the bull frenzy has gone (or rather been contained) by drastic counter-measures by stock exchange authorities at the instance of the Union Finance Ministry, the share values have not fallen back appreciably.

Rather, such fluctuations of up and down movements as have been taking place are mostly technical in nature and quite normal to stock market activity.

Even the salaried middle class have emerged as a source of strength to the stock markets. It is said that when the foreign companies operating in the country diluted their equity to bring down foreign share-holding generally, 40 per cent, millions of middle class investors entered the market to lap up whatever they could get.

These share issues had great asset backing and offered immediate capital appreciation

prospects.

Since the share issues by Fera companies (that is foreign companies governed by the Foreign Exchange Regulation Act), the stock markets have also moved from strength to strength, not only in terms of increases in share values, but also from the point of view their usefulness as source of risk capital stopped during 1981-82, as Rs 5bn was raised by way of fresh equity issues and debentures—a record so far—as against only Rs 700m during the earlier half of the 70s.

The Reserve Bank index for ordinary industrial securities stood at 200 last December, with 70 as the base.

The index has since come down to 196.4 but the decline is only marginal. With the undertone remaining bullish, further advances in the near future cannot be ruled out.

No central agency has been compiling the total value of company shares listed on the country's nine stock exchanges, nor any record kept of the market value or market capitalisation. But if the spectacular increase in the number of companies listed on the stock exchanges is any guide—the num-

ber of such companies has trebled over the past three decades from 3,125 to over 2,300 and new additions are being regularly made, then both the market value and face value of the listed stock must have been going up.

However, experts feel that with inflation in the Indian economy fairly under control, competing savings or investment outlets such as bank deposits, gilt edged stocks or deposits with non-banking companies, which offer 15 per cent, or slightly more, might soon become more attractive and thereby affect the stock markets.

At least the more safety or security-minded savers may go in for the later class of outlets, also the issue of two new bonds by the Government—social security certificates and public investment bonds—may mop up savings that might otherwise have gone to the stock markets.

It remains to be seen what will actually happen. But judging from the flood of new share and debenture issues coming to market now, the buoyancy has remained unaffected so far and the outlook seems reasonably good.

P. C. Mahanti

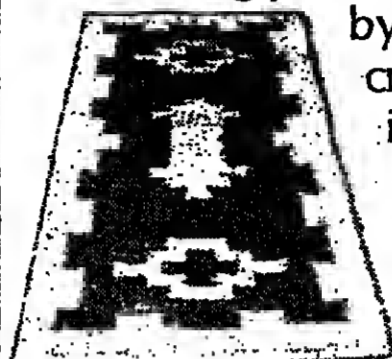
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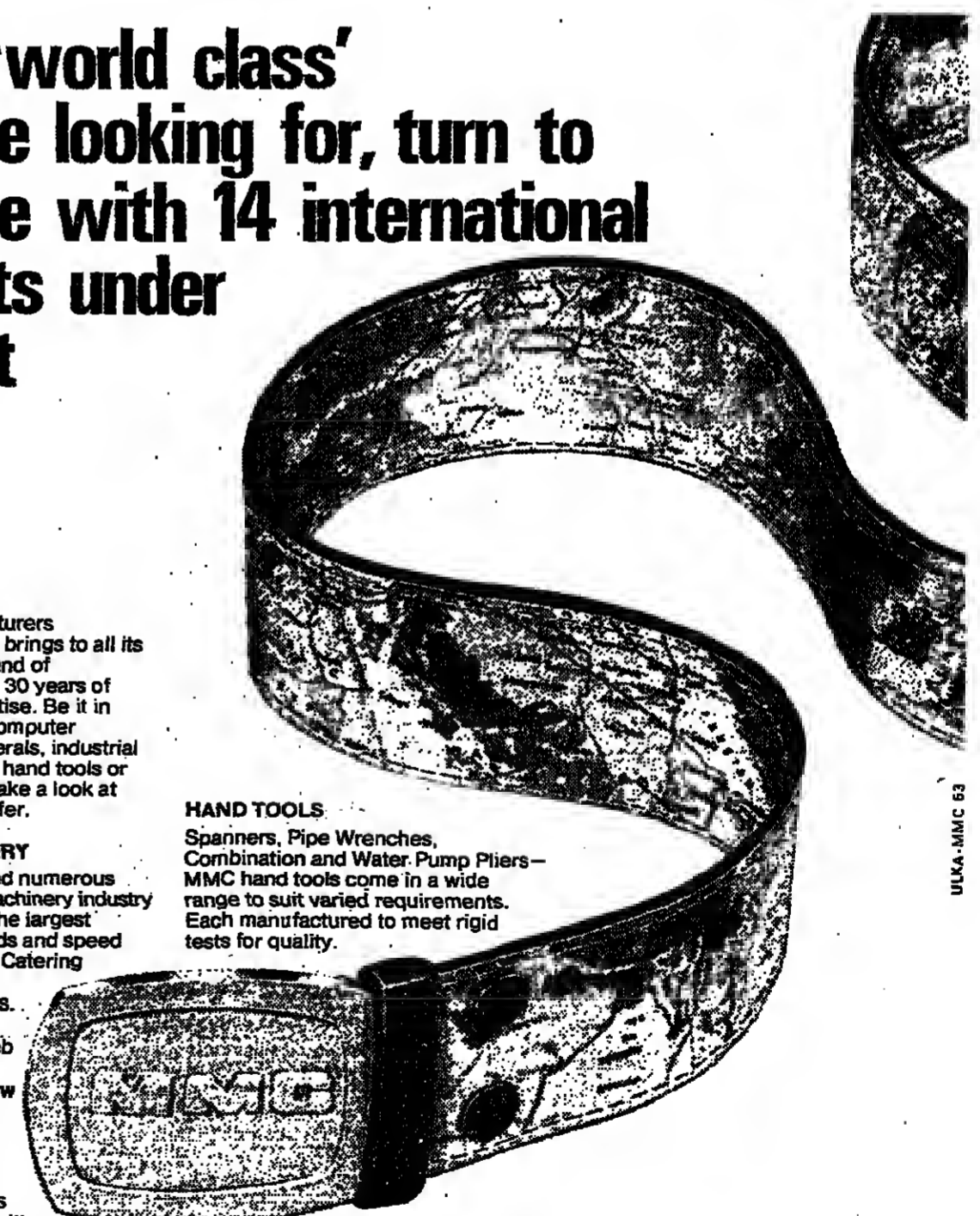
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INDIA-XIV

P. C. Murthy looks at the role of India's industrial investment institutions

How industrial projects are financed

INDIA HAS a sophisticated financial system to assist the establishment of industrial projects. Proposals with a total investment of Rs 50m (£3.09m) or more will have to be cleared by the Industrial Development Bank of India (IDBI), the leading financial institution, although the Industrial Credit and Investment Corporation of India (ICICI) and Industrial Finance Corporation of India extend term credit.

The ICICI was, until recently, the only foreign currency lending organisation but the IDBI has diversified to foreign currency loans.

An inter-institutional committee, comprising representatives of IDBI, ICICI, and IFCI will elect the consortium leader from the three financial institutions, which will be the contact point for the entrepreneur even though all the term lending institutions participate in

financing a project. Industries categorised "core" sector by the Government, such as cement and fertilisers and those contributing to export promotion and import substitution, are given priority for lending purposes. Once a project is accepted for financing, all aspects including cost over-runs are taken into account.

Underwriters

Apart from providing term credit, financial institutions underwrite, along with private underwriters, the equity share and debenture flotations. Even in cases where private underwriters are not coming forth, the financial institutions take the risks of the public share issue provided, of course, that the project is of national importance.

The promoters' contribution in an industrial project is kept

flexible, depending on the nature and size of the project. For a Rs 1bn project the promoters contribution can be as low as 10 per cent. The norm of the financial institutions is 20 per cent. Unlike in many other countries where a 51 per cent stake of equity is necessary to retain control over a company, the promoter in India can guide the affairs of a company even with a shareholding of less than 40 per cent. In fact the allegiance of shareholders to a particular management is such that some big business houses like Tata and Birla are controlling the companies with less than a 10 per cent equity shareholding.

On an average, the promoters' contribution to the total project cost of all industrial units financed by India's major term lending institutions constituted only 28 per cent in the year to March 1970. The share of loans

extended by these institutions in the total project cost was 50 per cent in 1978-79, says Mr N. Pal chairman of the Industrial Development Bank of India.

Linked to the promoters contribution is the debt-equity ratio in an industrial project. The norm is to have 1:1 or 1.5:1 debt equity ratio for projects costing Rs50m and the ratio goes up to 2:1 for projects between Rs50m and Rs100m. For large projects (with an investment of more than Rs100m) the debt equity ratio is normally 2:1 but this is relaxed for capital-intensive industries like shipping units with an export obligation of 51 per cent or more and large core sector projects.

Gujarat and Narmada fertilisers, for example, is a company jointly promoted by the private sector entrepreneur and

the Government of the western state of Gujarat has set up a modern fertiliser unit of 1,350 tonnes per day of ammonia and 1,800tpd of urea.

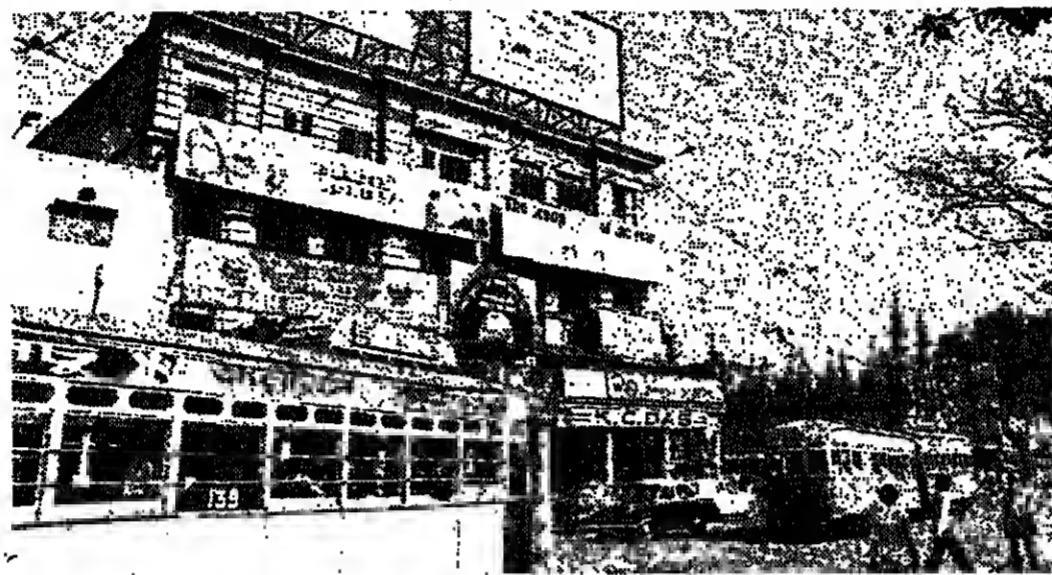
The contribution of promoters is only 10.2 per cent of the total cost of Rs4.5m and the debt equity ratio is as high as 4:1 for a Rs240m cement project of Mangalam Cement, promoted by Birla, the private sector conglomerate, the promoters contribution is 11/93 per cent and the debt equity ratio is 3:1.

Projects promoted by Birla and other big industrial houses in India or foreign companies normally have a debt equity ratio of 2:1. In the case of Mangalam Cement, however, the relaxation is made because cement is a "core sector" item and enjoys priority for funding by the financial institutions.

A peculiar feature of the

financial package in India is the inclusion of what is called a convertibility clause in the loan agreements of Rs10m and more. A clause in the loan agreements drawn up between the financial institutions and project promoters stipulate the right of financial institutions to convert a part of the loan given the equity within a specified period. Normally the conversion right is for a maximum of 20 per cent of the loan.

The idea of such a stipulation is that the lending institutions should share the prosperity of the assisted units and raise resources for financing new projects. The view of the Government, at whose direction the convertibility clause is included in loan agreement is this will enable the financial institutions to have a say in the operations of assisted units, at least until the loans are repaid.



Streetcars in Calcutta, headquarters of many large industrial corporations. The city's overcrowding and scenes of poverty make business trips trying

Despite many complexities, business in India can be rewarding, says K. K. Sharma

Be sure to learn the rules!

BEFORE deciding to do business in India take a deep breath, pause and ponder, and then decide first that you will do business, come what may. This will give you the necessary determination to cope with all the frustrations you will encounter.

The visiting businessman will discover endless hassles—Government controls, telephones that will not work, flight bookings that do not materialise, appointments that may be forgotten, plus the hot and humid climate and a host of other difficulties.

These should not really be a deterrent and, in the end—provided you are willing to learn the ways of the Indians and face the challenges posed by bureaucratic procedures—business could be rewarding.

The first thing to do is to learn the rules, therefore visit any branch of the Indian Investment Centre which has its headquarters in New Delhi and branches in many major cities in India and overseas.

The rule of the thumb is that the most likely business is in joint ventures, with the minimum of foreign equity participation (see separate article by Roderick Oram on this page).

Most businessmen have heard a lot about corruption in India, but do not be carried away by visions of having to buy your way through every stage.

Commissions and "promotional fees" are best faced with caution. Government officials are badly paid, but middle-level and high-level bureaucrats with whom you will come into contact are surprisingly honest (there are, of course, exceptions). Delays do not always occur because a payoff is needed, but because of the elaborate, cumbersome procedural tangles in which any proposal is enmeshed. It is usually the politicians who are "on the make" and you will be particularly unlucky to clash with them.

Entertainment

Government officials, but not Indian businessmen, have low entertainment budgets, so much of your work will need to be done at their offices. Working meals are rare and entertainment is usually for socialising. Check whether your host or guest is a vegetarian—because he may well be. Many Indians appreciate a tiffin, and the status-conscious like to drink scotch which is very expensive, so bring some from the duty-free shop. The Government discourages the drinking of alcoholic beverages in public, although this is gradually being relaxed.

Remember to make hotel bookings well in advance, reconfirm arrangements by telex before arrival and pound the desk and shout if there is no record on arrival. Friendliness will often do the trick, but it is a sad fact that some Indians—mostly again at lower levels—act quickly when provoked, even if this has to be accompanied by some rudeness.

Flying is the most efficient way to travel around in India in view of time and the distances involved. (Trains are always overcrowded and slow, but there will be many points you can reach only by rail.) Indian Airlines, the domestic carrier, has greatly improved its services after acquiring Airbus and Boeing 737s, but do not count on services operating in schedule—and always double check your reservations.

If you have air-banking difficulty, do not merely rely on travel agents, but go direct to the main Indian Airlines office and try to see the top man who will usually help because there are often a few seats available,

even when the plane is "full." Taxis are available at all airports and in all major cities and towns, but you must resign yourself to the prospect of being over-charged. Hotel service varies, but it is usually good at the five-star hotels.

India has some marvellous hotels, and the cuisine is excellent, but they could fall short in international standards on such services as telex and tele-communications in India are notoriously inefficient. All hotel bills for foreigners must be paid in foreign exchange, but the better-known credit cards are usually accepted.

Nightlife (where it exists, at all) is staid by European standards, but private parties in the major cities can be lively. Beware of drinking too much of the local brands which the hospitable Indians will insist you imbibe and be prepared for late meals.

Finally, when considering business in India, it pays to do your homework, as this will lessen the frustrations. Try to contact the right people and aim as high as possible at the first contact. Use letters of introduction if you can obtain them—and the higher the source of their origin, the better. This will ensure the attention of higher level executives and officials.

The cities you will probably visit are:

- New Delhi: the seat of the National Government, this is more of an official town, although many new medium-sized private companies and several major public sector offices are located here.
- Top-level decisions are made in Delhi, but finding the decision-makers can be a problem. Hence the importance of a good local contact.
- The people, especially those in Government and industry, are usually well-informed and receptive to new ideas. Contacts in Delhi are usually the key to any dealings on a national scale.
- Stay at the superb New Maitra Sheraton or the "Red" Mahal, the older-style Ashok or the Oberoi Intercontinental. All of these are luxurious and offer excellent facilities, including good restaurants with both Western and oriental cuisines.
- Bombay: This is India's leading port and commercial city. It teems with businessmen, all keen to set up deals. You would do well to watch the small print and check financial commitments carefully.

Businessmen are experts at finding ways around Government regulations but this is an area where you need to be particularly watchful.

There are excellent hotels, the magnificent Taj Mahal overlooks the harbour. Also good is the 34-storey Oberoi Towers, The Centaur, near the airport is modern but a long ride to the city, while the Welcom Hotel Seracok is halfway between airport and city. Also good is the President, again operated by the Taj group.

Calcutta: Poverty and overcrowding make it the most difficult of Indian cities and could make a business visit trying. But Calcutta remains one of the country's most important commercial, cultural and creative centres, being the headquarters of many of the country's largest industrial corporations and an essential destination for those seeking business opportunities.

Hotel scene

The hotel scene is worse than in any other Indian city. The best is the Oberoi Grand, since it has its own generator which is very useful in a city plagued by power cuts.

The Airport Ashok is modern and well-run, but it is a 45-minute drive to the city. The new Kenilworth Hotel has a wing of modern rooms and is centrally located. Avoid the Great Eastern, once the best hotel in town, but now hopelessly run-down.

• Madras: This is the quieter and more relaxed of Indian cities and less important commercially, but it is still the key to the southern states.

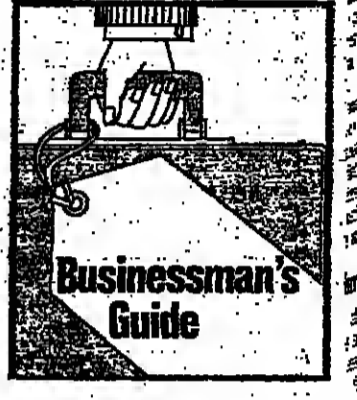
Having contacts arranged in advance is not as important as the business community is smaller and there appears to be less competition among executives. Business people in Madras are helpful and friendly, if not always efficient.

• The Conemara Hotel has an old atmosphere and is now modernised and in a good location. The Taj Coromandel and Chola Sheraton are also good, more modern, but with less character.

• Bangalore: The newest of the commercial cities, this is the home of five major public sector undertakings which are now modernising with the help of foreigners. A great deal of private industry has also been established and Bangalore is, alas, no longer the "garden city."

The business environment is much as in Madras and there should be little difficulty in making contacts.

The West End Hotel has a wing with old spacious rooms and newer sections with modern amenities. The Ashok offers good service and modern amenities.



Businessman's Guide

Guide to Indian and overseas business collaboration

The key to success in joint ventures

"WE FIND the negative image of India, based on people's first impressions, is not justified. Behind all this poverty is an industrialised nation with high standards. Behind all the red tape is a way to do business," says Dr Guenther Krueger, executive director of the Indo-German Chamber of Commerce in Bombay.

Based on his 13 year's experience in India, Dr Krueger says finding a reputable local partner is the most important aspect of doing business in India—and at the same time the hardest.

A local partner is essential because of the complexities of the Indian bureaucracy, the delicacies of Indian business methods and the tight control on foreigners' activities. Most particularly, the direct sale of imported goods is virtually excluded.

The partners role can take various forms depending on the product and the foreigner's aspirations. It can run from offering comprehensive sales representation to an equity stake in a manufacturing joint venture.

Most business by foreigners is done through collaborations with Indians. The Government has approved about 3,700 such ventures in the past 20 years, 1,250 of them with British companies. But Britain's share is diminishing as Indian needs diversify and they learn to deal with other nationalities. In fiscal 1981, 535 collaborations were approved against 288 a year earlier—128 (37) with Americans, 106 (61) with British, 99 (60) with Germans and 32 (19) with Japanese.

The simplest form of collaboration is a technology tie-up which typically lasts five years. In exchange for the information, the Indian company will pay either a lump sum (usually about 1 per cent of the turnover and taxed at 20 per cent) or a royalty of up to 5 per cent which attracts a 40 per cent tax.

The Indian collaborator can become a competitor but it is usually possible to write constraints into the contract. The sale to the Indian company of production equipment and components is a possibility.

A joint venture with equity stakes held by the Indian and foreign collaborators is the more involved alternative to a straight sale of technology. Typically the foreign stake is 40 per cent or less so the venture safeguards its status as a domestic company. In cases of high technology or substantial exports of the venture's products, the foreign stake can be controlling or even in extremely rare examples up to 100 per cent.

Despite India's restraints on remittance abroad of profits and dividends, an equity venture can be profitable for the foreigner.

Often the cash outlay is low because it receives equity for the technology and equipment it supplies. Again, the continuing sale of components is a possibility.

All the conditions for collaborations laid down in law are only the starting point for bargaining with the Government for approval. "Everything's negotiable here—that's one of the things that drives foreigners mad," a senior American official said.

Representatives

Almost always the joint ventures are new companies set up for the purpose, and increasingly with a minority Indian shareholding floated on the local stock market.

After collaborations, come the only other practical route into the market for foreigners—using the services of a concessionaire, representative or agent. Definitions of those terms depend on who you talk to. One concessionaire whose large company offers full technical sales and after sales services, said that the business is increasingly "passing into the hands of tourists" which is what he calls the small agents offering a more rudimentary service.

The difference is important for tax purposes. A concessionaire or representative can claim it is doing direct business as a principal whereas an agent may be frowned on by the authorities as a mere go-between and attract higher taxes.

One of India's largest representatives is Greaves-Cotton, originally an English company sold to Thapar, one of the major Indian combines, in 1947. For a straight fee it offers its technical and sales skills "as an equal" to the foreign manufacturer, according to Commodore I. K. Malhotra, a vice president.

It represents a wide range of foreign companies including Rolls-Royce and Dowty of the UK, Beech Aircraft of the US, and Deutsche Babcock. Some of the other relationships have evolved into manufacturing ventures.

The Japanese do business differently. Fourteen Japanese trading companies have liaison offices in India which handle almost all of the S2bn a year Indo-Japanese trade. The Indian expertise is resident in their Indian employees working under Japanese staff posted usually for three years.

Mitsubishi officials in Bombay said it was theoretically possible for them to represent a non-Japanese company in India but agreed that it would be highly unusual.

Candidates for partnership can be found through commercial officers or embassies bilateral chambers of commerce many of whom will help sometimes companies from

third countries), and organisations such as the British and South Asia Trade Association. Dr Krueger says there is no shortage of Indian companies seeking foreign links, but he warned that some only begin talks so their executives can get travel and foreign currency documents from the Reserve Bank of India.

He urges foreigners to get the very best legal and auditing advice in India because too many collaborations fail through a weak and ambiguous contract. Time should also be taken to prepare the groundwork thoroughly—many "stopover deals" arranged en route to another country end up in court because the Indian negotiator kept saying "no problem, no problem" because he was too polite to say otherwise in the haste of it all.

Indians like to do business on the basis of friendship and Dr Krueger thinks it is important to get to know your partners on these terms.

There are two worlds in one person. A Harvard or LSE educated executive who wears a suit in his office may seem totally Westernised until he refuses to sign a contract on a given day because his astrologer advises against the timing," he says.

Similarly he knows of the case of an Indian businesswoman who had a substantial business proposition to make. Because she thought it was friendlier she wrote by hand to all the prospective German partners. Nobody replied because they thought she could not even afford a typewriter.

"Never, never, get involved in the Indian way of doing business, which is the euphemism the people offering the advice use for the need sometimes to pay "speed money" to hasten or ensure the positive outcome of bureaucratic dealings.

The term reputable covers partners who do return to "the Indian way" when they feel it is necessary.

"Agents fees can be pretty hefty and cover a lot. We don't ask questions," a British trade official said.

"We leave it to our Indian partners in six things and then look after it later in the contract," a Japanese trading company official said.

But Indians and foreigners alike stress that the need for such actions varies enormously depending on the circumstances. A lot can be achieved with inexhaustible patience and excellent contacts in the bureaucracy. These are qualities Indians possess—"a foreigner would die of frustration trying to unscramble the rules and regulations," an American trade official added.

Roderick Oram

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INDIA-XV

THE INDIAN MOSAIC

Alain Cass examines the extraordinary diversity of Indian life

Living with communal tensions

INDIA has been described as the most "inviolable" organisation by birth...

Population by religion table with columns for Religion, Million, and Percent.

This complex tangle of castes, religions, regional and tribal groupings permeates every aspect of Indian life...

Although India's constitution officially recognises 14 languages there are more than 200 dialects...

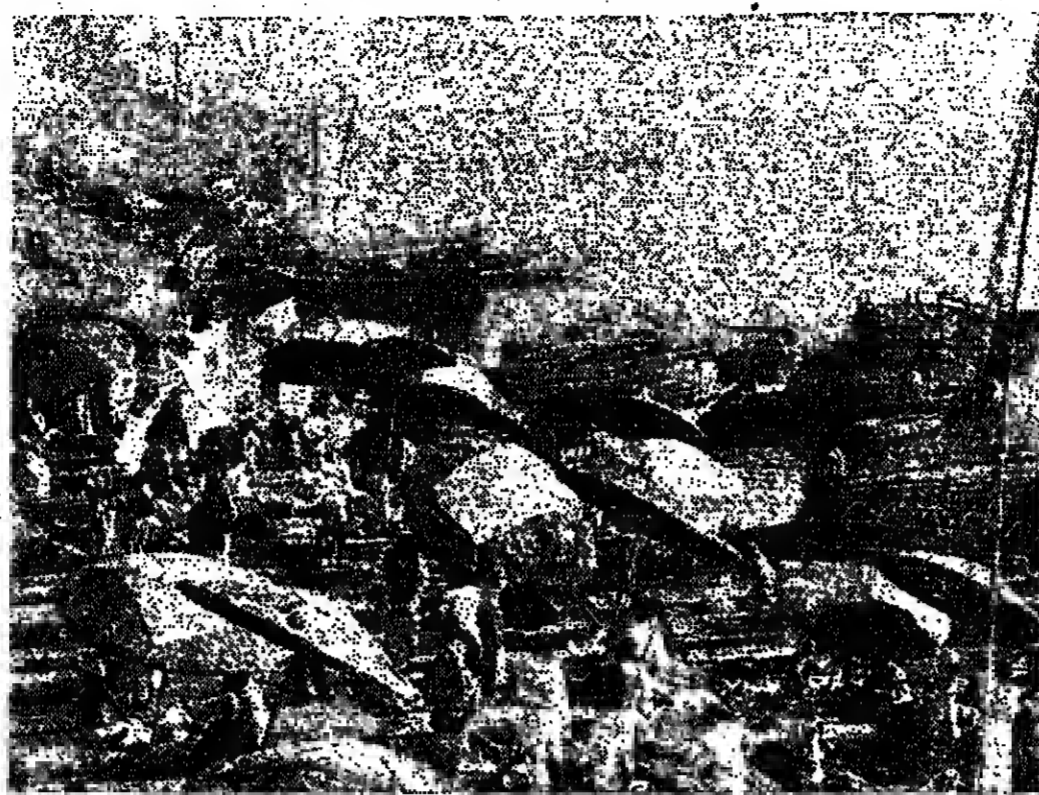
Barriers

In addition, India encompasses six major religions and countless sects. These cut across the linguistic divide...

This extraordinary, indeed, unique diversity, has been both the strength and the fatal weakness of India...

Beyond this, the many cross-cleavages within Indian society often act as cohesive, rather than divisive, force.

The weaknesses of the Indian mosaic are painfully evident. The most dramatic example, of course, was the partition of the subcontinent itself at the time



Hindus through the banks of the sacred river Ganges

Deeply rooted caste system

THE FOUR CASTES are emanated by me, by the different distribution of qualities and actions...

The difference, however, is that Indians are born into their castes and live within them until death...

The Harijans, or untouchables are generally regarded as being beyond the pale.

There are four major Hindu castes. These are known as Varas. They are in pecking order: the Brahmins (priestly caste), Kshatriyas (warriors), Vaishyas (traders), and Sudras (servants).

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Compared to 20 or 30 years ago, however, it is also true that caste rigidities are no longer as severe as they used to be.

region that a committee headed by the Prime Minister was set up to handle it.

It defines three basic groups: the Scheduled Tribes, the Scheduled Castes and Other Backward Castes.

However, such is the scale of poverty in India that the loosely-worded definition of "Other Backward Castes" has become a focal point for the under-privileged groups who have a vested interest in being categorised as a backward caste.

Separatism is not confined to the Punjab. The most direct threat comes from separatists in India's volatile north-east region.

By and large, however, separatism is no more than a minor irritant. Even the most implacable opponents of the centre and Mrs Gandhi's attempts to strengthen it see the benefits of belonging to an, albeit loose, federation.

Prof Andre Bettelie, India's leading sociologist, argues that India's economic backwardness has helped to preserve this system. The reverse is no doubt also true.

On a more obscure level the massacre in Calcutta at the beginning of May of a small, extremist group, called the Ananda Margis, by local people who claimed they were abducting children to forcibly convert them also underline the apparent fragility of Indian society.

India's constitution recognises the existence of backward castes and tribes and makes specific provisions for pulling them up the economic and social ladder.

The only cloud on the trade horizon is that the steady increase in British exports to India has turned the trade balance sharply into Britain's favour.

At a time when India is facing foreign exchange constraints in an aid-fatigued world, these gestures have not gone unnoticed in New Delhi.

At a recent seminar in Bombay on Indian and British financial links in the 1980s, Mr Pranab Kumar Mukherjee, India's Finance Minister and Mr I. C. Patel, the Governor of the Reserve Bank of India, both hinted that this could cause problems between the two countries.

Expansion A number of British businessmen fear that this may affect the future ability of British companies to win some of the major Government contracts likely to be awarded over the next few years.

Work worth about \$500m will be carried out in Britain. And, this year, India awarded in principle a contract to build a 1,000 Mw thermal power plant at Singrauli to a British consortium consisting of Northern Engineering Industries, General Electric and Babcock.

The plant and associated mine development is likely to cost around \$850m.

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Many problems for the Muslim minority

AMID THE ancient and decaying Moghul splendours of one of the greatest Muslim empires that the world has known, squats Syed Abdullah Bukhari, the corpulent and controversial Imam of Old Delhi's Jamma Masjid Mosque.

divided, defensive, demoralised and economically backward and community without a political party or leadership to defend its interests.

The spiritual and temporal impotence of Syed Bukhari himself and the colourful but squalid Muslim ghetto over which he presides are potent symbols of a once mighty Indian community that has lost its way.

Neither Syed Bukhari, nor any other self-acclaimed Muslim leader, is capable of mobilising more than small sections of the Islamic community.

The fact that unlike the numerically much more insignificant Sikh community, India's Muslims have been unable (or unwilling) to organise themselves into a powerful pressure group, is both a function of history and geography.

Dispersed Unevenly dispersed throughout modern India, only in Kashmir, where they account for some 75 per cent of the population, have they been able to organise themselves in a way which has enabled them to extract significant concessions from Central Government.

Chewing his betel nut, spitting the remnants into a silver bowl, Syed Bukhari remembers with nostalgia his ancestors who served as Imams to the Moghul emperors; he then goes on to rail against what he calls "the economic, political and religious discrimination" being perpetrated against the Muslim's India's largest minority.

In a group of 2,382 industrial establishments, owned by large corporate units, only four are owned by Muslim industrialists.

Disparaged by many of India's Muslim elite as a man who is not above rousing communal passions for short-term political or financial gains, Syed Bukhari was imprisoned by Mrs Gandhi during the emergency, backed the Janata Government in 1977, fought for Mrs Gandhi in the 1980 election which brought her back to power and today condemns her for what he calls "her series of broken promises," and her "anti-secular policies."

Quoting a recent paper, Mr Shahabuddin concludes that entrepreneurship at the large and medium-scale industrial level is almost non-existent among the Muslim community.

"There is no Muslim political party of any size capable or willing to defend our interests, and those leaders we do have, scattered throughout congress and the opposition parties have, on the whole, been opportunists, or hangers on."

Though India's Muslims voted along with the rest of the country to push Mrs Gandhi out of power after the extremes of the emergency, they soon found to their widespread dismay that, under the Janata Government, anti-Muslim Hindu chauvinists from the Jan Sangh Party were playing a powerful role.

But Syed Bukhari's words are empty threats. India's 80m or so Muslims are potentially the country's most powerful minority. But since the partition of the sub-continent in 1947, when millions left their homes in India for Pakistan, amidst a wave of violence, retribuition and hate on a gigantic scale, India's Muslims have farmed a

the result was a growth in communal violence. Though there are no figures it is clear that well over 50 per cent of the Muslim vote went to put Mrs Gandhi back in power in 1980. She has since been assiduously cultivating them—her visit to Saudi Arabia being

the most notable example. Many Muslims treat the increase in communalism over the past three years to the growing influence of extremists in the state police and Army Reserve during the Janata period.

The trauma of partition, the constant threat of communal violence, particularly in urban areas and the loss of its most able sons to Pakistan, has meant that India's Muslim community has played little part in the mainstream of national life.

According to a widely-respected Muslim politician, Mr Syed Shahabuddin, the average per capita income of the Muslim community is lower than the national average, a large proportion lives below the poverty line: there is a higher incidence of illiteracy and unemployment, and, in middle to large-scale industry, Muslims are hardly represented at all.

Economically, India's Muslims have never really recovered from their inability to grasp the opportunities of education and modernisation which the British Raj brought with it.

The largest part of the small and successful Muslim middle class community which did manage to pull itself into the industrial age opted to live in Pakistan.

And though a rich and more self-confident middle-east has created new economic opportunities for India's Muslim traders, professionals and labourers in the past decade, by and large, India's Muslim community has been unable to throw off the shackles of an outdated religious-centred educational system which has done much to ensure that a disproportionate number of Muslims remain along with the Harijans (the "Untouchables") and other scheduled tribes among the most economically backward communities in India.

Richard Cowper

The UK remains the largest foreign investor in India

New trade agreements with UK

WHEN Mrs Gandhi shook hands with Mrs Thatcher in London, earlier this year, some said it was difficult to see just what the two had in common, apart from the remarkable fact that both were women prime ministers in a political world still dominated by men.

Table titled INDO-BRITISH VISIBLE TRADE (Figures in £m) with columns for Year, British exports, British imports, and Total trade.

In matters of foreign policy, the two leaders certainly have a very different outlook on the world. India likes to see itself as the natural leader of the non-aligned movement while Britain is a staunch member of the Nato alliance.

Under Mrs Thatcher, Britain has moved noticeably closer to the U.S.—a nation which India has learned to treat with much distrust. And of all the EEC countries it is perhaps Britain that has been most willing to back the U.S. in its tough stance against the Soviet Union, a long-time partner and friend of India.

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national tiff that must inevitably flare-up between two nations whose destinies were once so intertwined, has not stood in the way of the development of a much improved bilateral economic relationship over the past two or three years.

In contrast, Mrs Gandhi has been hesitant to risk India's strong economic links with the USSR by an outright condemnation of its invasion of Afghanistan and, on Poland, Mrs Gandhi has publicly stated that she regards the whole affair as an internal matter. India has also caused considerable annoyance in Britain and non-communist South-East Asia by recognising the Vietnamese-backed Heng Samrin regime in Kampuchea.

While this is, in part, due to the general opening up of the Indian economy there is little doubt that Mrs Gandhi is now looking to Britain to play a much greater role in the Indian economy in the 1980s than was the case just a few years ago.

Thorny issues There have also been a number of thorny bilateral issues, some of them stemming from the long historical relationship between the two countries, such as Britain's new immigration policy and Indian policies on foreign companies which, at times, have made relations between the two nations less than smooth.

Many in the British business and diplomatic community in India believe that Mrs Thatcher's visit to India last year and Mrs Gandhi's return trip to Britain this April has done much to improve the relationship between the two countries, most noticeably on the economic front.

But the fact is that Britain remains the largest foreign investor in India, its largest bilateral aid donor and its third largest trading partner.

In return, Mrs Gandhi was undoubtedly pleased that dur-

ing her trip to London, Britain agreed to pledge its full share of the sixth IDA replenishment over 00a year, rather than two as the U.S. has said it will do. Traditionally India has accounted for around 40 per cent of IDA loans which come in grant form.

Despite its own economic problems, Britain also agreed to increase its bilateral aid to India in 1982-83 and still further in 1983-84.

At a time when India is facing foreign exchange constraints in an aid-fatigued world, these gestures have not gone unnoticed in New Delhi.

At the most dramatic level, the new economic relationship has shown through in the award by the Indian Government of three major multi-million pound contracts. To Britain, in 1978, agreement was reached to buy some 85 Jaguar deep penetration strike aircraft, worth around \$400m with the option of manufacturing about 50 more in India. And, in 1981, Davy McKee, the heavy industrial arm of Britain's Davy Corporation, won a contract to build a \$1,250m steel works at Orissa, along with companies in France and Germany.

Work worth about \$500m will be carried out in Britain. And, this year, India awarded in principle a contract to build a 1,000 Mw thermal power plant at Singrauli to a British consortium consisting of Northern Engineering Industries, General Electric and Babcock.

The plant and associated mine development is likely to cost around \$850m.

The first of these three contracts has already provided a major fillip to British exports to India which are estimated to have grown to around \$700m last year, double that of the \$350m exports to India in 1978.

year, and, in 1981, grew an estimated 30 per cent.

With total two-way visible trade estimated at around \$1bn in 1981 and invisible exports in the region of \$50m, Britain is India's third largest trading partner after the USSR and the U.S.

At a recent seminar in Bombay on Indian and British financial links in the 1980s, Mr Pranab Kumar Mukherjee, India's Finance Minister and Mr I. C. Patel, the Governor of the Reserve Bank of India, both hinted that this could cause problems between the two countries.

Expansion A number of British businessmen fear that this may affect the future ability of British companies to win some of the major Government contracts likely to be awarded over the next few years.

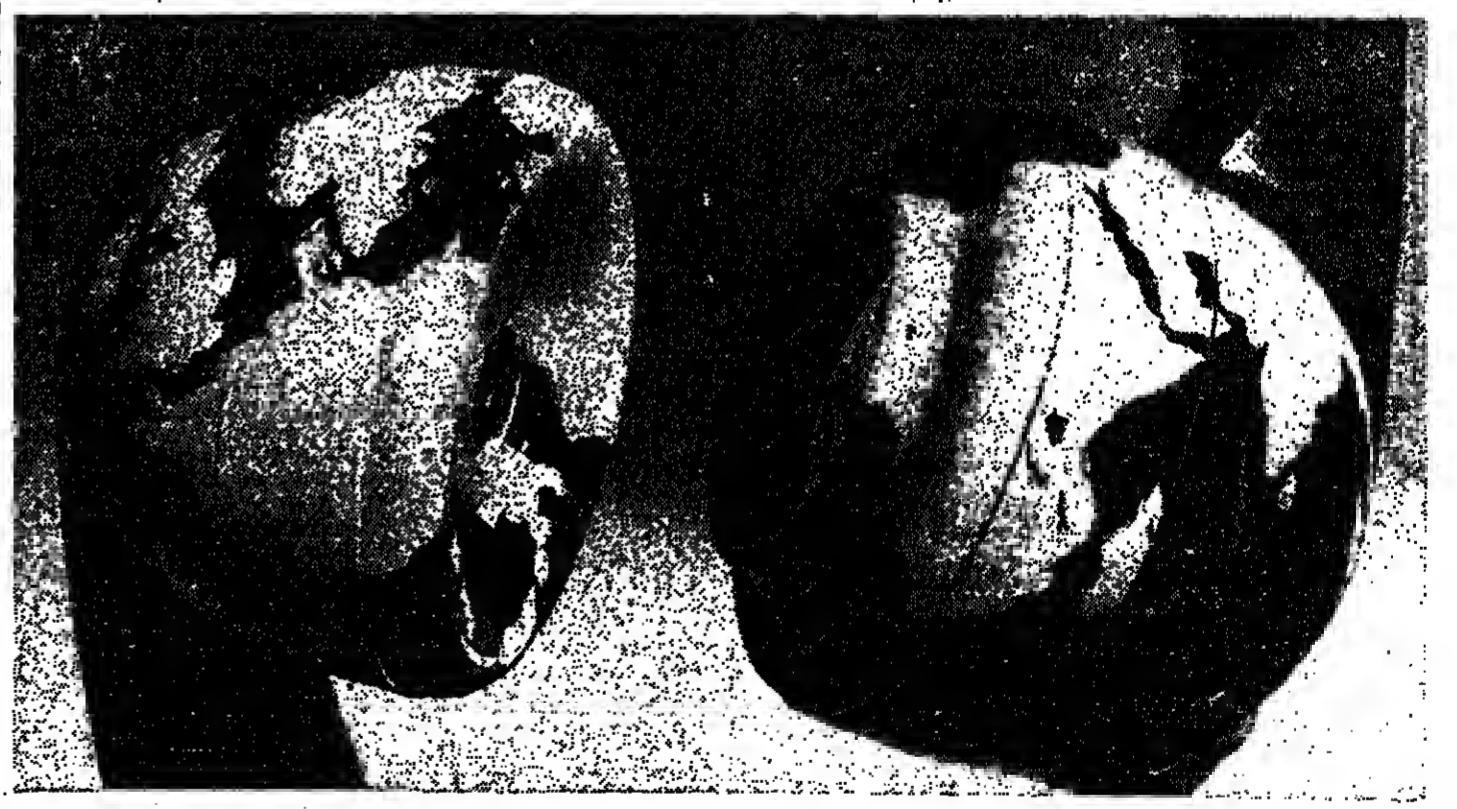
However, the steel and power plant deals coupled with the strong possibility of winning a contract to build a \$360m port at Nava Sheva, near Bombay, should see British exports continue to expand at around 20 per cent or more a year for at least the next few years.

Though no one expects a rush of new foreign capital to come flowing into the country from Britain, on the investment and technical collaboration front the outlook appears somewhat brighter than it has been for many years.

In 1974, approved British foreign investment jumped to its highest level. Since 1980, the number of collaborations between Indian and British companies jumped to 110, almost double the average annual rate over the previous ten years.

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INDIA-XVI

THE INDIAN MOSAIC



Theme of continuity and change

THE Festival of India—the biggest and most comprehensive exposition of India's past and present—is presenting a varied programme in the UK until November, this year.

The theme of the festival, which opened at London's Royal Festival Hall in March, is "continuity and change." It portrays the rich cultural heritage of India, alongside the country's contemporary achievements in science, agriculture, industry and technology.

Among the major exhibitions in London are "The Image of Man" at the Hayward Gallery. For this exhibition, spanning 2,000 years of Indian culture, the exhibits have been brought from every corner of India.

Other events devoted to India's rich past include exhibitions at the British Library, the British Museum and the Victoria and Albert Museum. Scientific aspects of India are displayed at the Science Museum, while special programmes on India's arts and crafts are being held at various leading galleries.

The exhibition The Living Arts at the Serpentine Gallery, will enable visitors to see craftsmen at work and vividly illustrates the underlying theme of the Festival. Displays relating to present-day India include Vasna—Inside an Indian Village at the Museum of Mankind and Modern Indian Artists at the Tate.

For festival information, telephone 01-930 1350 or 01-930 1444.

There is no easy solution to the insurgency problem in Mizoram, says K. K. Sharma

Insurrection festers in the remote North-East

"WE ARE all reluctant Indians," says a highly-placed official in Aizawl, the picturesque capital of Mizoram on the hills bordering Burma. His facial features are Mongoloid and, like the rest of the 400,000 population of this centrally-ruled Union territory he is a devout Christian.

The tribal Mizos may be divided among themselves and have loyalties of an incredible complexity depending upon the group to which they traditionally owe allegiance. But they share a common hostility to what they obviously consider the alien "Indian" from whatever other part of the country he comes.

To the Mizo, the Indian is represented by the thousands of military and para-military forces who patrol the streets of Aizawl and who escort all senior bureaucrats. None of these forces dare venture outside the capital without the protection of armed soldiers carrying automatic weapons meant for instant use against the small core of insurgents hiding in Mizoram's dense jungles.

The Baza Bazaar in Aizawl is full of shops displaying goods smuggled from Burma. The proud Mizos peddle these without enthusiasm for they have lived in the shadow of insurgency, hacked by a drought that has made the population even more dependent on supplies from the mainland.

Rumours in the bazaar are that insurgency will erupt again now that talks with the Mizo leader, Laldenga, have failed in New Delhi and his Mizo National Front (MNF) banned yet again. Laldenga left last month for Europe, once again in exile, like several tribal leaders from the north-east.

There have already been some killings by guerrillas and there will surely be more, since the move against the MNF is widely interpreted as hardening of attitudes in New Delhi against the Mizo demand for autonomy. Mizoram is now a union territory, which means it is ruled by

New Delhi, although it has a local Chief Minister, Brigadier Sailo, who is opposed to the Mizo demand for independence but enjoys the confidence of few of his fellow tribals.

The Mizo National Front's following is said to be nominal, but it is sufficient for it to extort money from non-Mizo passengers—at Rs 50 per person—coming in buses from Silchar, the point where they are actually issued entry permits for Aizawl, even though they are Indians (no non-Indian has been allowed into Mizoram for more than two decades).

Local officials admit the MNF has a parallel administration and that its writ runs further than the Lt-Governor who represents New Delhi.

Official functions in Aizawl have all the paraphernalia of tight security. A light machine-gun mounted on a utility vehicle follows the Chief Minister. Senior officials are escorted by armed men of the central reserve police and travel with them in their cars.

Casualties

Security guards are increased when officials go on tour into the interior. No official goes to a picnic without first ensuring that he has his armed contingent of escorts with him. The precautions are essential because insurgents keep a close watch on the Urwar, and there have been many casualties.

There is no easy solution to the insurgency problem in Mizoram because the hard core of the MNF will settle for nothing less than independence, while efforts to integrate Mizoram with the rest of the Union are as unwelcome as they are inadequate.

If anything, the demand for secession has grown, and the MNF is now aided by the students' association called the Mizoram Zirlal Pawl (MZP) which is now recruiting a new cadre. Insurrection festers all over

India's remote north-east. Its seven states and Union territories are linked to the mainland through a narrow corridor north of Bangladesh that was easily disrupted by West Bengali students when they launched an agitation, about a year ago, against the treatment meted out to Bengalis in Assam. This is the oil-producing state, troubled by a widespread movement seeking the expulsion of "foreigners"—immigrants from West Bengal and Bangladesh—from the state.

Secessionist voices are heard in most of the states, although they are said to be silent in Nagaland where they first became vocal.

Even in Assam, where the student leaders have held endless rounds of unsuccessful talks with New Delhi on the "foreigners" issue, separatist forces are clearly gaining ground. Certainly, the graffiti testifies to this. And Assam, because of its oil and tea, is economically important to India.

Loss of a year's oil production in Assam from mid-1979 cost the country Rs13bn in foreign exchange. The oil industry is now being operated under the vigil of Central Armed Police and the Army in an call.

The Assamese have an economic weapon they can wield and so the student agitators receive treatment like diplomats in New Delhi when they make their periodical excursions for what are obviously purposeless talks.

They have so far, however, no links with other separatist movements in the north-east where the "extremists" among the tribal population spurn efforts to draw them into what is an ephemeral national mainstream.

The result is violence, or the constant threat of it, that is pinning down large contingents of unpopular security forces who are never sure where the attack will come from.

In quaint Manipur for instance, official claims that the law and order situation had "con-

siderably improved" were easily belied when just three weeks later, 21 soldiers were killed in an ambush by a "People's Liberation Army."

The "extremists" have obvious popular support. A recent jail-break in Imphal capital of Manipur, in which 44 "hard-core PLA extremists" escaped, could hardly have been possible without the support and connivance of local officials.

Concessions

There is no real effort to win over the activists. The enormous concessions given to the region (north-eastern states, like others in the Himalayas, qualify for special treatment in the matter of grants) have benefited mostly the politicians and contractors, or so is commonly believed in the north-east.

There is an inexplicable degree of support that movements in the north-eastern states receive from even well-placed and outwardly loyal people who profit from the political and administrative set-up and the largesse from New Delhi. In Imphal, senior bureaucrats, posted there from outside the state, speak bitterly of policemen, jail officials, civil servants, and even Congress (I) legislators and accuse them of secreting illegal weapons and helping the guerrillas.

The truth is that there is no meeting ground. New Delhi can hardly consider the separatist demands without jeopardising the basis of the Indian Union while offers of more autonomy and more economic assistance are unacceptable to the extremists. If their strength is declining—and there is no evidence that it is, even though New Delhi wants to believe this—it is partly because they no longer receive training and support from China, as in the past.

There are many "moderates" which New Delhi hopes will eventually gain ground in such states as Mizoram and Manipur, but certainly there can be no peace without the

consent to any agreement of the extremists.

As the Mizo leader, Laldenga, said recently: "After all, they have shed their blood in our cause. We will have our differences but the cementing force in north-east India will be provided by common leaders. That leadership has already been trained in China."

Indeed, what Laldenga says could well show why the north-east is in ferment and explains the failure of leadership from New Delhi.

"Let me tell you something," says Laldenga. "When I took the first batch of Mizo boys in China for training we were received by a group of Chinese men and women who spoke to us in our own language, sang our songs and gave us typically Mizo food. There was no need for interpreters in our camp. But Indians come to Mizoram and can't communicate with our people. What kind of integration is that?"



Para-military troopers escorting an arrested Assamese student leader to a court hearing. So far the students have no links with other separatist movements in the north-east.



HINDI is the official language of India and English has the status of "associated official language." The country's 22 states have their own languages, although six use Hindi.

The Constitution recognises the 14 languages listed below. The states have adopted a three-language formula and use Hindi, English and their own local language for official and education purposes.

Assamese	9.0m
Bengali	44.8m
Gujarati	25.9m
Hindi	162.6m
Kannada	21.7m
Kashmiri	2.4m
Malayalam	21.9m
Marathi	42.3m
Oriya	19.9m
Punjabi	16.4m
Sindh	1.7m
Tamil	37.7m
Telugu	44.8m
Urdu	28.6m

Impatience over lowly status continues to grow among the rural Harijans

The plight of 100m 'Untouchables'

BIRAJIA DEVI, 50, thinks that as an "untouchable," she is better off barely subsisting on the outskirts of Patna than she was in her native village 50 kilometres away.

At least the capital of Bihar, a Ganges valley state and one of India's most backward, offers some chance of work and some respite from the degradation and violence that can afflict untouchables like her out in the countryside.

She is one of 100m scheduled caste people (the bureaucratic term for untouchables), making up about 15 per cent of India's population.

These people are the worst victims of the Hindu caste system's rigid division of labour. The most demeaning jobs, such as carrying night soil, tanning leather and washing clothes supposed to be made, those workers unclean and unfit to be touched by their superiors. In the Hindu concept of purity and pollution—the yardstick of rank—they are at the bottom.

Untouchables were shunned as the lowest of the low, avoided lest they pollute their souls. They lived still often lead a life apart from the rest of Hindu society, segregated and oppressed by humiliating practices such as having to walk barefoot in the presence of higher castes.

Some 50 years ago, Mahatma Gandhi started the enormous task of integrating the untouchables into Indian society. He called them Harijans, children of God.

Backlash

Government actions to improve the lot of the scheduled castes include reserved places in education, as well as in Government jobs and in Parliament. Some 78 seats out of 542 in the Delhi Parliament are kept for them.

Reservation inevitably causes a backlash. Last year, in Gujarat state, students demonstrated violently against the earmarking of half the state medical school places for scheduled castes. Any unclaimed places from previous years are carried forward.

The number of post-matriculation scholarships available to scheduled castes in India was about 682,000 in fiscal 1982, against only 200 in 1947. Education has worked also at a more basic level. The 1931 census found that only 1.9 per cent of Harijans and 9.5 per cent of the total population were literate. The rates were 14.7 per cent and 29 per cent respectively by 1971.

Some Harijans have scrambled up from the bottom of the pile, mainly through education

or urbanisation, to achieve personal success. One such man is Mr Jagjivan Ram who rose to become Deputy Prime Minister in the Janata Government which overthrew Mrs Indira Gandhi in 1977.

He is out of power now, but he still attracts a following. Many an evening you can find small groups of people on the seamy, shady lawns of his Delhi bungalow, discussing all manner of subjects.

For all his political success, however, his background has denied him equivalent social status, he says. It is hard for a member of the scheduled castes to go through a day without being reminded of his origins.

He tells of how a lowly peon in Government service might clear away all the tea cups from a meeting of senior officials and politicians, but "forget" those used by a scheduled caste.

In theory, such blatant untouchability was outlawed almost 30 years ago. Certainly, the most degrading practices have largely disappeared. But so deeply rooted are the myths and superstitions of untouchability that the effects endure, if in more subtle form.

Even a well educated cosmopolitan Brahmin might tactfully decline to eat with his son's family because its cook is a Harijan. Similarly, a deeply religious Hindu could bath in the sacred—and dreadfully polluted—waters of the Ganges and yet still refuse a glass of tap water from a Harijan.

Generally speaking, untouchability endures most strongly in rural areas. Fully 80 per cent of Harijans live in the countryside and 80 per cent of them live below the poverty line versus 50 per cent for the total population.

One reason for their economic deprivation is their lack of land which applies to about 40 per cent of them, according to the Gokhale Institute of Economics. Land transfers to Harijans and other rights over property is one of the main sources of communal violence, which has soared in recent years. Harijans have become more aware of their rights and less willing to suffer their lowly status. In the most conservative areas they are still refused access to temples and tea rooms, and are forced instead to use separate wells. Many are still segregated in Harijan bastis on the edges of villages.

Some 375 scheduled caste people were killed in 1980, compared with only 36 in 1977. The number fell last year, but it included some massacres involving a dozen or so Harijans

at a time. One of the bloodiest was just north of Patna.

Death tolls may have been lower, but the number of rapes, assaults and other atrocities have risen. Undoubtedly, many more incidents go unreported because people are cowed by landowners or cynical about the police's frequently corrupt relations with powerful community leaders.

In theory, the solutions and processes for change are clearly laid down.

"We have an absolutely foolproof set of circulars from the Government—it is only a question of implementing them," said a senior Bihar civil servant, echoing the sentiment of sympathetic officials across the country.

"If anybody tries to do anything for the Harijans, he is accused of being a Naxalite (Communist), and transferred."

Undermined

Too often, he added, programmes to aid Harijans are directly overturned or indirectly undermined by dominant castes' continuing ability to rally support for the status quo from those fearful of losing out under reforms.

The escape for some Harijans is religious conversion. One of the most noteworthy was of Dr D. A. Ambedkar, chairman of India's constitutional commission. He shepherded the constitution, which contains many safeguards for scheduled castes, through parliament. A few years later, in the mid-1950s, he became a Buddhist.

Birajia and some of her neighbours chose to seek the partial relief in city life, coming to Patna six years ago.

She and 500 Harijans live in a collection of mud hovels squeezed between a lane and an irrigation canal. Urban sprawl has steadily encroached and they are threatened with eviction because the state plans to build a medical institute at the end of the lane.

These Harijans can earn Rs 8 to Rs 9 (just under \$1) a day on the few days a week they are lucky enough to find work. The arbitrary poverty line is Rs 65 per person, per month. (Rice costs Rs 3 a kilo.) Birajia said she and her friends are, nonetheless, better off than they were in their village.

Harijans seem able to accept the rate of integration in towns, but India is a predominantly rural society. As impatience over status quo continues to grow among the rural Harijans, so, inevitably, does the threat of communal violence.

Roderick Oram



Left: Birajia Devi who fled her village to avoid degradation and violence and (above) 'untouchables' lucky to find some mental task.

Goodlass Nerolac Paints In multiple perspective

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CHINA'S ECONOMY

Trying the middle way

By Colina MacDougall

CHINA'S ECONOMY looks healthier and more settled than it has for a long time as it pulls out of a nosedive caused by deliberate retrenchment last year.

Since the late 1950s China has swung between rival economic policies. In Mao's 1958 Great Leap, the country concentrated on producing more grain, steel and machinery.

With the Cultural Revolution in 1966 the pendulum swung back to grain and steel production. In the 1970s, the view broadened to include more diverse industries, but not until Mao died in 1976 was ideology gradually shelved to allow less rigid control of the economy.

But China's economic troubles were not over. Too much stress on heavy industry in 1977-78 meant fearsome shortages of energy and raw materials, while for the first time China became a victim of inflation.

Steel, which has soaked up millions of dollars in the past, is to cut output by 1.5m tonnes but to concentrate on quality and variety.

The impression the traveller gets today of an improving life-style across China was underpinned by Yao's figures for 1981. National income—the nearest thing in a communist country to GNP—rose 3 per cent, and industry and agriculture together at 4.5 per cent.

The heavy industries which really need investment now look like being the ones to get it. By Yao's reckoning, the problem industries are energy and transport. Coal and power are this year scheduled to increase their output, and though the oil target remains



Tang Ke (left): gets an important job; Prime Minister Zhao Ziyang: reputation is enhanced

the same as last year, the growth of the offshore industry will mean new investment.

But last year's mildly creditable result emerged from averaging out some steep peaks and troughs. Grain output provoked concern by hardly rising, whereas cash crops like sugar and oil-bearing plants shot up by 20 to 30 per cent.

Light industry, which last year got priority in resources, did even better than farming, especially in desirable consumer items. This helped trade, which last year was almost in balance.

Not until this year has Deng Xiaoping been strong enough to challenge entrenched interests. He has now made massive changes which should streamline the government structure.

The bureaucratic changes have seen a further strengthening of Dengist control over the country's central administration. The wider implication of the reforms is that moderately progressive economic policies now in force should be secure for the time being.

Mr Deng's proteges and associates of his proteges now occupy most of the significant positions in the central party and state bureaucracies. Changes to the party's central structure, announced last weekend, confirm the trend towards Dengist dominance of positions of power in Peking.

The changes to the state bureaucracy have resulted in a quite significant reduction in the numbers of ministries and commissions—from 52 to 41—and the removal of much aged dead wood.

An indication of the change in the bureaucracy over the past several years, most particularly over the past two months, is that of the 41 Ministers under the State Council only a small handful, two or three, hold the same positions as they did before the decisive Third Plenum of the Chinese Communist Party when Mr Deng began reasserting his influence after his rehabilitation the year before.

Shake-out for bureaucrats

FOR Deng Xiaoping, the consummate Chinese politician, the months of April and May this year must have been particularly satisfying.

Mr Deng, who is known to use bridge-playing metaphors on occasions in private, would probably agree that he and his supporters have achieved at least a "small slam" in their efforts to reform the central bureaucracy to make it more responsive to the demands of new economic policies.

For years the proliferation of officials and committees, plus the increasing number of aged bureaucrats who, for lack of a retirement system, could not be put out to grass, has endlessly delayed the decision-making process.

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Not until this year has Deng Xiaoping been strong enough

Lombard Thinkers and doers

By Michael Dixon

SOCIETY'S LEADERS once assumed that nature intended mankind to be split into peasants who earned wealth and gentry who spent it. Nature's disagreement was shown by the Black Death, a shift in economic power to the depleted peasantry, and bloody revolt.

The parallel assumption today is that there is a natural division of labour between thinkers and doers. The thinking minority is born with ability to organise work whereas doers are born to follow instructions.

The origin of this split in the manufacturing workforce was evidently the meeting of the inventors Henry Maudslay and Joseph Bramah in London in the year of the French Revolution. Bramah's greater strength was economic vision. He saw that his newly patented lock gave an improved security guaranteeing huge sales if the price could be kept down by making the lock's various parts separately in balches and assembling them later.

It took Maudslay's sharper engineering insight to fulfil Bramah's plans. Maudslay invented the slide-rest which enabled lathe to be operated automatically with an accuracy no hand-held cutting tool could attain.

The transfer of control from operator to organiser fed and grew on markets for mass-produced products. The split also suited early developments in computer-controlled manufacturing. A bank of machine tools obeying a central programme could produce more intricate components more precisely than ever before.

Observers believe Mr Tang was not regarded as a success in his previous task as his name was associated with the Baoshan steelworks project, which was much criticised within China for its poor planning and expense.

Both Joseph Bramah and Henry Maudslay left school as soon as they could to pursue their interest in doing, which later fuelled their interest in learning the theory their ambitions required. Today they would more probably be just two of the many young people so demoralised by 11 years of failure in academic education that they have lost any productive ambition at all.

Unfortunately the British education system largely ignores practical intelligence. Aptitude and interest in learning theories give children the opportunity later of acquiring the specific skills of an activity such as engineering. Children whose aptitudes and interest are to learning by doing have less and less opportunity to advance in such an activity, and later to acquire the specific theories entailed.

Letters to the Editor

Economics of competition on domestic air routes

From the Chairman, British Caledonian Airways. Sir,—May I be permitted to comment on the leading article of May 20, "An unnecessary monopoly," since I believe the views expressed to be misleading and dangerous.

British Caledonian supports the concept of competition but vigorously opposed British Midland Airways application when it was the subject of a public hearing before the Civil Aviation Authority, the expert body whose task is to determine economic regulatory issues in UK civil aviation.

BMA appealed from CAA refusal of licences and it is now for Lord Cockfield to determine what is a matter of vital importance to the UK civil aviation industry and the travelling public on the major domestic air routes.

British Caledonian has operated to Glasgow and Edinburgh from Gatwick since 1966 and believes there is plenty of competition already not only between BCal and British Airways and between Heathrow and Gatwick but also between surface transport and air.

that fares must reflect costs if they are to be durable. Your article stated that the public has nothing to lose. This manifestly is wrong as passengers holding Laker and Braniff tickets know to their cost. If BMA is licensed, BCal will compete vigorously but we are already losing well over £2m per annum on these routes and, although this is balanced by the benefit of feed-on to our longhaul services, if losses increase there is a risk that services would have to be reduced or withdrawn, leaving Gatwick without services to these Scottish cities.

If it is necessary for BMA to fail before it can be accepted that the routes are adequately served, then CAA is redundant. Surely CAA's warning of a weakening to all carriers is one that may not be ignored.

Adam Thomson, British Caledonian Airways, Caledonian House, Crawley, W. Sussex.

Paying interest on a non-existent day

From Mr G. Atthill-Beck. Sir,—It is now nearly nine months since the advent of same-day value dollar payments in New York. Certain powerful houses in London, leaders in an important and growing sector of international finance, still find it expedient to ignore the changeover from next-day to same-day funds to their considerable advantage.

Interest bearing Eurodollar bonds are issued with annual coupons calculated on a 360-day base, and are initially sold in the primary market, often through an intermediary such as a stockbroker, bank or licensed dealer.

Before October 1981, the lead managers who fix the terms of new Eurodollar issues used to tack on an extra day's interest in front of the date from which the first coupon began accruing, to cover themselves and their co-managers for the fact that although the purchaser paid his money on day X, the seller did not receive the benefit of the payment until day X plus one.

One might therefore be forgiven for assuming that as a seller now receives the benefit on day X of a payment made on day X, the purchaser of a new Eurodollar issue would be required to pay only for the number of days' interest which have already accrued and which he will ultimately receive from the borrower on the first anniversary of the maturity date. On the contrary, most major issuing houses persist in the now wholly unjustifiable practice of extracting the additional day's interest described above, which means that investors are effectively paying for an instrument which carries yearly interest as if it carried a year and a day's interest in the first year.

Investors in the Eurobond market are mainly sizable institutions with many millions under management, so when they buy new bonds they buy large, and one day's interest is not a negligible sum which can be written off as if it did not exist. This applies a fortiori to lead managers, who may be bringing out \$200m at a time. If brokers or dealers protest on their clients' behalfs or simply refuse to pay for the additional day, they are told: "Either you deal on our terms in this market or you don't deal with us at all."

Implicit in this attitude is the dangerous assumption that "muscle" can choose to ignore a changed system irrespective of whether it is wrong to do so, and irrespective of the new system's universal application. Alan Tomkinson, 216, Chiswick Village, Chiswick W4.

Social acceptance of new technology

From Messrs. D. Parrish and C. Painter

Sir,—Developments in technology are directed towards the reduction of human involvement. Computer-controlled machines will eventually manufacture and assemble complete products. There appears to be no limit to what can be achieved. New technology will inevitably lead to the unmanned factory.

To reflect the flexibility of such automated systems the human response must be inclined towards flexible hours, manning and labour systems.

Even the ultimate unmanned factory will, however, require some human contribution. New products will still need to be conceived. Factories will still be required. Even when computers are running computers, the original program will still need to be compiled, tested and input to data banks. The human element might only be that contributed by a computer programmer or the hand that presses the start button, but that hand will still be there.

With such a prospect what stance should unions adopt? Their approach must be well

come all new advances and with them the benefits. No union should seek to resist any technology that frees people from work that could be performed by machines.

They must, however, be prepared to fight to ensure that the result of this second industrial revolution is a social manufacturing system (SMS) that benefits the whole of society.

Unions must re-analyse the entire work ethic. Should a person who sits and presses buttons be paid more than the person who performs socially necessary community work? The unions must make certain that there is useful employment for all and that for it they receive a fair share of the wealth.

People must be retrained for the new automation. New technology must be viewed as freeing people from the production process rather than causing unemployment. This cannot mean a descent into idleness but freedom to perform those social tasks now carried out by unpaid volunteers. New technology will produce the wealth whereby those carrying out such tasks can be adequately rewarded.

The advance of technology should be at the pace and direction agreed by unions and managements. The application of technology should always be socialistic and any system for the manufacture of products

that eventually prevails, should be socially acceptable, i.e. SMS. D. J. Parrish, C. W. Painter, Thanet, Mill Lane, Woolpit, Suffolk.

Current costing accounting

From Mr A. Tomkinson. Sir,—In his letter of May 18, Professor Myddelton claims that "current purchasing power accounting is a system of accounting for inflation," whereas it would surely be more accurate to say that it is a system of accounting for general inflation, the difference is crucial and lies at the heart of this aspect of the inflation accounting debate.

For all its undoubted shortcomings, current cost accounting does at least attempt to provide management and investors with a measure of the impact on a company's operating capability of changes in prices which are specific to its business. Should we really abandon such a system for one which, by using the Retail Price Index, would adjust historical cost accounts for (inter alia) changes in the level of mortgage repayments and tube fares?

Alan Tomkinson, 216, Chiswick Village, Chiswick W4.

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Advertisement for Equity & Law featuring a large image of a boat on water. The text reads: "In 1982, we didn't want to wait a lifetime to enjoy the time of our life." Below the image is the Equity & Law logo and the tagline "One day you'll thank us".

Aveling Barford cuts loss

DESPITE world-wide over-capacity creating intense pressure on margins, rationalisation programmes and actions to improve efficiency during 1981 brought a 31 per cent reduction in the year's trading losses...

The second year of the company's recovery programme has continued to be affected by the recession, but Mr Roger Lockwood, managing director, says that while he sees no short-term increase in demand he anticipates that actions already taken together with further rationalisation will restore the company to profitability within the third year of the programme...

During 1981 asset management programmes showed "significant success" with the generation of a net positive cash flow in excess of £3m.

The company's UK base was severely constrained by lack of private sector investment and central and local government expenditure controls. Additionally financial instability in much of the third world, political uncertainty in areas of the Middle East and a deepening recession in Europe, eroded large traditional markets for the company's products.

Benlox pref. rights: pays 0.5p dividend

Benlox Holdings, the building contractor, is making a rights issue of 936,000 8 per cent convertible cumulative preference shares of £1 each at par, on the basis of one new preference share for every five ordinary held.

The directors have irrevocably undertaken to take up in full the 95,400 preference shares to which they are entitled. The balance of the issue has been underwritten by Dawsonfin Finance, a company controlled by Mr M. A. C. Buckley, the chairman.

The company has also announced that trading profits rose to £48,218 for the 10 months accounting period to end 1981, compared with £24,987 for the previous year. The dividend is unchanged at 0.5p net per 10p share.

Turnover for the 10 months increased to £1,450m (£0.72m for year). There was a tax credit of £9,000 (£3,000 charge) for the period. The dividend is unchanged at 0.5p net per 10p share. Extraordinary debits decreased from £61,345 to £35,050. Stated earnings per share were higher at 1.15p (0.67p).

Oriflame sees further growth

Oriflame International, a Luxembourg-registered cosmetics group, is to raise £5.2m by an offer for sale of its shares. The group's main activity is the manufacture and sale of its own brand of cosmetics via a network of direct sales agents. About 37 per cent of group sales in 1981 were made in the UK.

Since its formation the group has prepared its accounts in U.S. dollars and will continue to do so. Oriflame's shares are not listed on any other stock exchange.

The directors forecast in the prospectus that profits before tax, to the year to December 1982 will be approximately \$6.76m (\$3.84m) and earnings per share \$1.16 (\$0.97).

The offer, made by Morgan Grenfell and Blyth Eastman Partners, consists of 886,634 shares of \$1.50 at 80p a share—16.25 per cent of the issued capital after the offer—capitalising Oriflame at £32m. Brokers to the offer are de Zoete and Bevan.

The application list will be open from 10 am on Thursday May 27. Application will be made for the shares to be listed on the Stock Exchange. Dealings are expected to start on June 3.

Myson earning power 'unimpaired'

While the assets of Myson Group was severely eroded during 1981, with capital and reserves falling from £11.9m to £4.6m, the earning power of the group has not been impaired and the balance sheet now reflects a "lean and clean" situation on which to build, Mr R. A. Wheeler, chairman, says in his annual statement.

As reported on May 8 this beating and ventilating equipment manufacturing group increased taxable losses from £3.45m to £11.2m in 1981 and omitted dividend payments.

During the year Barclays Bank "enabled the group to continue trading" by subscribing £3m by way of preference capital and by restructuring its facilities into a 10-year loan of £10m and an overdraft of £5m. The auditors point out that the accounts have been prepared on the basis that the group's hankers continue to provide facilities on existing terms for the foreseeable future.

As a result of the decline in capital and reserves the ratio of borrowings permitted under Myson's articles have been exceeded and an EGM is being held to vote on increasing the borrowing limit.

Looking to the current year Mr Wheeler says the benefits of price increases, cost cutting and other savings began to emerge in the first quarter and a significant profit was made after interest.

The second and third quarters have historically been quiet periods for most group companies with improved trading in the last quarter. The outlook continues to show promise he says.

Meeting: 100 Old Broad Street, EC, June 11, 11.00 am.

Hambro Life funds up by £300m

Total funds of Hambro Life Assurance rose nearly £300m last year to £1,506m. Premium income climbed by one-third to £320m, while investment income improved 15 per cent to £104m. However the increase in the value of investments last year was only £56m against £104m in the previous year. Claim payments topped the £100m mark.

BOARD MEETINGS

Table listing board meetings for various companies including Interims-Brunel Brothers, North British Steel, and others.

for the first time rising 4 per cent to £102m. Commission payments were 30 per cent higher at £37m. As already reported, the actuarial surplus last year increased nearly 20 per cent to £18.76m of which £15.1m was transferred to profit and loss.

The report shows that the company's managed fund, one of the first in the field, now stands at more than £400m, while its property fund has assets of over £300m. Pension funds within the company now total £500m and the company's executive pension plan for controlling directors and key executives has become a market leader.

FT Share Information

The following securities have been added to the Share Information Service. Cass Group (Section: Electricals), Leisure Industries (Leisure), Nabisco Brands (Foods), Toshiba (Electricals).

Table titled 'SPAIN' listing various companies and their share prices.

Construction Holdings

Taxable profits of investment trusts in construction advanced from £96,147 to £101,432 in the first half to March 31, 1982. The interim dividend is being raised from 3.5p to 3.9p net per 20p share, with earnings per share stated higher at 7p (6.0p). Last year a total distribution of 12.5p was paid from taxable profits of £192,968 (£193,140). Income in the second should be maintained the directors say.

King & Shaxson PLC

Statement by the Chairman, Mr. T.S. Hohler, M.C. for the year ended 30th April 1982.

The volatile conditions foreshadowed in my last statement dictated an extremely cautious policy which enabled your Board to announce a very satisfactory profit at the interim stage, despite a net increase in Clearing Bank Base Rates of 3 1/2 points from 12% to 15 1/2%. Your Company was well placed to take full advantage of the subsequent decline in rates, and the profit for the full year, amounting to £1,077,590 after provision for rebate, tax and transfer to Inner Reserve, confirms your Directors' optimistic statement at the half year.

Your Directors recommend that a final dividend of 5.5 pence per share, making a total of 6.5 pence per share, be paid on the Ordinary Capital, an increase of 13% over 1981. A transfer of £200,000 has been made to General Reserve which now stands at £3,000,000.

On March 19th the sale was announced of your Subsidiary Company, King & Shaxson Fund Managers Limited, to the Britannia Group of Unit Trusts. Mr James Parrish has joined the Britannia Group and has accordingly resigned his directorship of King & Shaxson PLC. We extend our best wishes to him for the future.

The year has seen substantial changes in the Bank of England's open market operations and the extension of eligibility to a much wider range of banks. Another greatly increased turnover in commercial paper is reflected in a rediscount liability of £724 million against £375 million last year. It is to the credit of both management and staff that they handled the additional workload with such skill and accuracy, and it is once again my pleasure to extend my thanks to them all.

Copies of the 1982 Annual Report and Accounts may be obtained from The Secretary, King & Shaxson PLC, 52 Cornhill, London EC3V 3PD.

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Public Works Loan Board rates. Table showing effective May 15, quota loans repaid at maturity, and non-quota loans repaid by EIPF. Columns include years and interest rates.

LOCAL AUTHORITY BOND TABLE. Table showing annual interest, gross pay, minimum of interest, and life sum bond for Knowsley (051-543 8555).

FINANCE FOR INDUSTRY TERM DEPOSITS. Deposits of £1,000-£50,000 accepted for fixed terms of 3-30 years. Interest paid gross, half-yearly. Rates for deposits received not later than 28/5/82.

RECENT ISSUES

Table listing recent equity issues with columns for issue price, amount, and stock details.

FIXED INTEREST STOCKS

Table listing fixed interest stocks with columns for issue price, amount, and stock details.

"RIGHTS" OFFERS

Table listing rights offers with columns for issue price, amount, and stock details.

PENDING DIVIDENDS TIMETABLE

Table listing pending dividends with columns for date, announcement, and stock details.

Mowlem

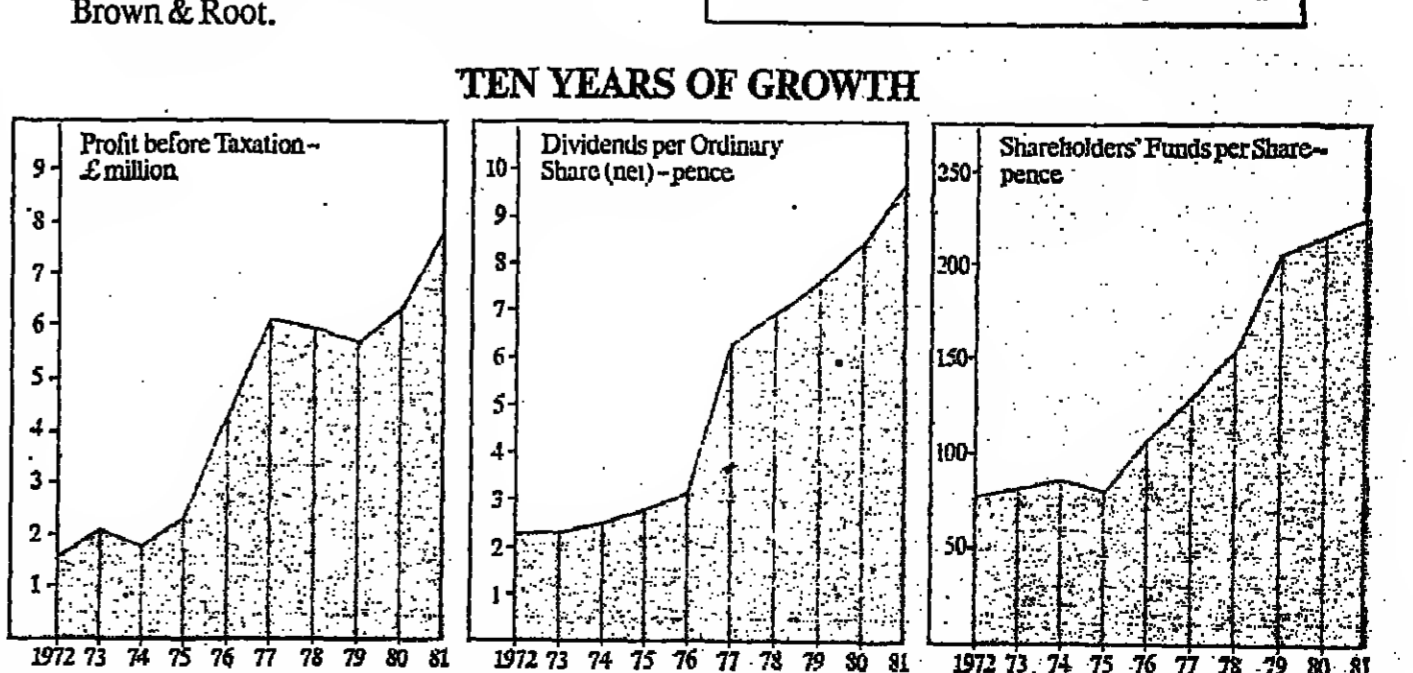
International Construction, Mechanical Engineering, Manufacture and Distribution of Construction Industry Instruments and Products, Property Development and Investment.



Salient points from Mr. Philip Beck's statement to shareholders: * Group turnover up by 13% to £271m, of which £77m was overseas. * Profit before tax rose 24% to £7.8m.

* Profits from engineering products included the first full year's figures from Soiltest (USA), which were above target. * The Group's forward workload at end-March 1982 stood at £254m, of which £71m is overseas, and is stable. * Outcome for 1982 is again expected to be satisfactory.

Summary of Results. Table comparing 1981 and 1980 figures for turnover, profit before taxation, profit after taxation and extraordinary items, and shareholders' funds.



Mowlem John Mowlem & Company PLC. Includes contact information and a note about the Annual Report and Accounts.

THE TRING HALL USM INDEX 122.5 (+0.3) Close of business 21/5/82. BASE DATE 10/11/80 100. Tel: 01-628 1581. LADBROKE INDEX Close 557-562 (+5).

M. J. H. Nightingale & Co. Limited. 27/28 Lovat Lane London EC3R 8E8. Telephone 01-621 1212. Table listing various companies and their share prices.

CREDITS

Mexico and Bolivia jar already frayed nerves

DEVELOPMENTS in the Euro-credit market at the end of last week were hardly designed to calm the nerves of bankers already frayed by the military escalation of the Falkland Islands dispute between Britain and Argentina.

Mexico added to worries about its own stretched finances with a request for a \$1bn bridging loan from lead managers of its current \$2.5bn Eurocredit and, in what several bankers describe as a serious threat to the debt rescheduling agreed last year, Bolivia said it could not meet payments commitments due to international banks next month.

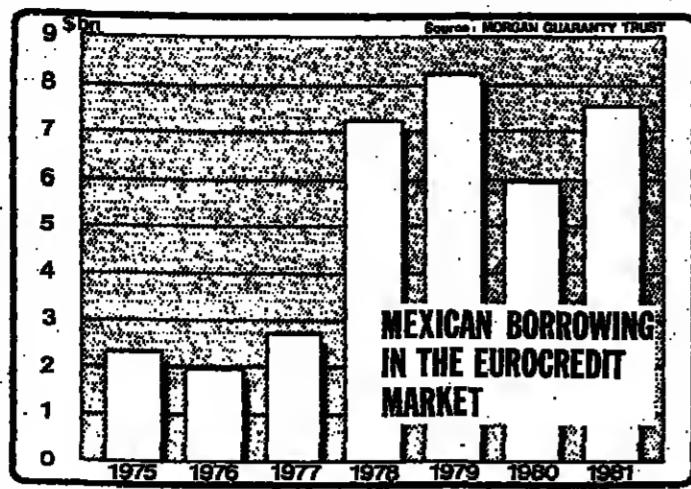
Bank of America, which is co-ordinating the Mexican credit, says there is nothing particularly unusual about its request for bridging finance. The credit was delayed slightly because of general uncertainty in the financial markets, it says.

Bankers in Mexico City suggest that Mexico needs the funds early to bolster its reserves, which at the end of last year totalled \$10.7bn. Mexico does not report regularly on its reserve position, but an official figure is generally published at each annual bankers' convention and this year's convention starts in a week's time in Acapulco.

But there seems to be no getting away from the fact that Mexico's request for the finance underlines its very tight cash-flow situation. It is now officially admitted that its gross borrowing requirement in 1982 will be between \$2.5bn and \$2.8bn which means the country has to raise between \$2.2bn and \$2.6bn a month from now on.

Bolivia's shortage of foreign exchange is believed to be due to its inability to discount proceeds of natural gas sales to Argentina because of the Falklands crisis. Bolivia is expected to call a meeting of its international bankers to discuss its cash flow situation.

The patience of the international banking community has been steadily dwindling since Bolivia has persistently failed to agree a stabilisation programme with the International Monetary Fund following an agreement to reschedule some \$450m in commercial bank debt last April. But banks have stood by the rescheduling agreement because until now Bolivia



has made debt service payments punctually.

Later this week attention will focus on Venezuela which is also seeking a credit of around \$2.5bn. Banks will be meeting to discuss the operation in help Argentina financially although the proceeds of its \$2.5bn loan could not be used for that purpose. Under the country's public credit law they are to be used to consolidate short-term debt.

Meanwhile there was little new business announced in the Eurocredit market last week. In Latin America a group of banks led by Chase Manhattan has been awarded a mandate to raise a \$100m credit for the oil concern ENAP of Chile, although the terms have not yet been finally agreed.

In Europe banks have been invited to bid on a new \$250m package for Greece's Public Power Corporation which will comprise a Eurocredit of \$210m and a private placement of securities totalling \$40m. Interest is expected to be keen following the success of Greece's latest \$550m credit.

Other new business includes a \$175m, seven-year credit for the Australian resources concern, CRA. The credit, on an unspecified margin, has been arranged by Japanese banks co-ordinated by Bank of Tokyo.

INTERNATIONAL BONDS

Heavy calendar for West Germany

WEST GERMAN bankers agreed one of their heaviest calendars of new foreign bond issues ever at a meeting in Frankfurt on Friday.

Between now and the end of June they plan to bring around 20 issues to the market for a total value of DM 1.83bn. This compares with a calendar of DM 1.65bn for the period mid-April to mid-May.

Bankers in Frankfurt said they were hoping that the market would continue to move higher in June once it has overcome its recent period of consolidation. But to ward against excess they agreed that no single bond would be for more than DM 100m and private placements would be limited to DM 75m.

An exception to this rule would be a DM 150m issue planned for the Inter-American Development Bank next month. Meanwhile the new calendar got off to an immediate start with the launch of a DM 100m, ten-year 8 3/4 per cent issue for the Council of Europe. Today should see the launch of a DM 100m bond for the Mexican electric utility Comision Federal de Electricidad through WestLB. The meeting to set the new D-Mark calendar was one of the few "events" in the international bond markets last week with many dealers absent in Venice for the annual meet-

Peter Montagnon

ing of the Association of International Bond Dealers.

Very quiet trading was reported in all major sectors with fixed interest Eurobonds shedding a point during the week.

Those dealers who were at their desks pointed to some continuing underlying worries about short-term interest rates and the Falkland Islands crisis. The market was also unsettled by the losses announced by Chase Manhattan in connection with its involvement with Drysdale Securities, the U.S. Government securities trading firm.

Another French state borrower braved the floating rate note market on Friday, however, with a \$250m, ten-year issue for Credit d'Equipement des Petites et Moyennes Entreprises, which lends to small business.

Led by Banque Nationale de Paris this bears a margin of 1 per cent over six-month Libor, but a feature is that commissions total only 1 per cent, which makes the issue one of the finest priced floating rate notes yet seen for a French state borrower.

Elsewhere the ECU issue for Hydro Quebec was increased by ECU10m to ECU50m by lead managers Kreditbank who claim this is the first time there has been substantial demand for ECU denominated bonds outside the Benelux countries.

P.M.

AIBD MEETING

The coming of age of the Euromarket

THE EURODOLLAR bond market is preparing itself for a heavy June calendar of new issues despite an atmosphere of continuing uncertainty over the trend of short-term interest rates. This was the consensus view among bond traders and new issue managers attending this week's annual meeting of the Association of International Bond Dealers (AIBD) in Venice.

The mood on the terrace of the Hotel Excelsior Lido was one of caution as to the ability of the market to absorb the billions of dollars worth of borrowing waiting to be launched. But the Venice conference, which drew more than 1,400 participants, also reflected the coming of age of the Euromarket.

Delegates pointed with pride to the fact that Eurobond new issue volume during the opening months of 1982 has surpassed that of the U.S. bond market, excluding Treasury offerings. "We must be doing something right," declared Mr Michael von Clemm, chairman of Credit Suisse First Boston.

In the period from January through mid-May, the Eurobond markets saw 300 new issues, totalling \$30bn, against a 1981 comparable volume of \$9bn and 150 issues.

Among the highlights of the Venice conference was the election of a new 17-member AIBD board on Friday. Eight board members decided not to stand again, including Mr Rupert Hambro, the chairman, and Mr Walter Koller, vice chairman. Mr Koller, of Credit Suisse, had served for 13 years, since the birth of the organisation.

The new chairman was expected to be Mr Damien Wigny of Kredietbank Luxembourg. Other new members elected on Friday were Mr Gian Carlo Arduino, Mr Maurice Armand, Mr Cees Byloos, Mr Osama el Ansari, Mr Peter Luthy, Mr Pier-Louis Quattropani, Mr Klaus Roehrich, and Mr Lutz Thierolf.

The Venice conference approved several new resolutions, including one changing the statute of the AIBD in order to allow a new form of associate membership which would be open to central banks, clearing houses such as Cedel and Euroclear and others. Seven years ago the association had some 200 member institutions; today the number is around 600.

Although the AIBD is often accused of being a social club it has created a framework of regulations over the past decade which have influenced market behaviour in so far as this is feasible in an unregulated

market. The organisation has not been able to deal with the new issues side of the market. It was significant therefore that the conference voted on Friday to institute a rule governing the behaviour of issuing houses.

The rule itself, relating to agents for issuers of convertible debentures, was not as important as the fact that the AIBD was edging towards a more formal interest in the primary side. The proposal was passed by a sizeable majority, but 39 members abstained, illustrating the reluctance of many to attempt any regulation of issuing houses.

The other noteworthy proposal adopted by the conference was a members' resolution on debt re-scheduling, spearheaded by Mr S. M. Yassukovich of the European Banking Company, and signed by 25 members.

The proposals is designed to strengthen the position of bondholders in debt re-scheduling. Mr Yassukovich said the cases of Costa Rica, Poland, and Mexico's Alfa group showed how bond holders could be discriminated against. The resolution puts bonds on a more equal footing with syndicated loans and protects holders of bearer bonds from being forced to identify themselves.

Alan Friedman

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %	Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS								D-MARKS							
Illinois Power†	50	1989	7	14 1/2	99 1/2	CSFB	14.67%	Bowater†	50	1989	7	8 1/2	99 1/2	BHF Bank	8.59%
Florida Tel.	45	1989	7	15	*	Smith Barney		Helsinki†	50	1992	7 1/2	8 1/2	99 1/2	BHF Bank	8.99%
Kollmorgen§	20	1997	15	9 1/2	100	Merrill Lynch, CSFB, SG Warburg		Barclays Bank Intd.	100	1994	12	8 1/2	*	Dresdner Bank	
Philip Morris†	200	1994	12	0	2 1/2	Lehman Bros. Kuhn Loeb, Goldman Sachs	13.340	Citizen Watch**§	30	1989	6 1/2	6 1/2	100	Bayr. Landesbk., Nikko Secs.	6.750
Ottawa Carlton†	40	1997	7.9	14 1/2	99	Wood Gundy	14.920	Council of Europe	100	1992	8	8 1/2	*	BHF Bank	
Bank of Baroda†	30	1989	7	7 1/2	100	Lloyds Bank Intd.	7.000	SWISS FRANCES							
PK Christiana Fin.†	10	1992	10	7 1/2	100	Mitsui Trust Bank	7.000	Ind. Fund of Finland†	30	1992	—	6 1/2	100	Banque Gutzwiller, Kurz, Bungener	6.750
Credit d'Equipement des Petites et Moyennes Entreprises†	250	1992	10	5 1/2	100	BNP, Bank of Tokyo, Morgan Stanley, Nat. Bank of Abu Dhabi	5.250	Ojai Electric**§	50	1987	—	6 1/2	*	SBC	
Orient Leasing§	20	1997	15	*	100	Daiwa Secs., Morgan Guaranty	*	Lonrho	80	1992	—	*	*	Banque Keyser Ullman, Kredietbank Suisse, Nordnanz-Bank	*
CANADIAN DOLLARS								NEW ZEALAND							
Bell Canada	100	1989	7	15 1/2	*	UBS Secs.	*	Hydro-Quebec†	100	1992/4	—	*	*	UBS	6.125

* Not yet priced. † Final terms. ** Placement. † Floating rate note. ‡ Minimum. § Convertible. Note: Yields are calculated on AIBD basis.

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$125,000,000

Shell Canada Limited

14% Debentures Due 1992

MORGAN STANLEY INTERNATIONAL

WOOD GUNDY LIMITED

ALGEMENE BANK NEDERLAND N.V.

AMRO INTERNATIONAL LIMITED

ARAB BANKING CORPORATION (ABC)

CREDIT SUISSE FIRST BOSTON LIMITED

DEUTSCHE BANK AKTIENGESELLSCHAFT

KUWAIT INVESTMENT COMPANY (S.A.K.)

SALOMON BROTHERS INTERNATIONAL

SWISS BANK CORPORATION INTERNATIONAL

UNION BANK OF SWITZERLAND (SECURITIES)

May 13, 1982

This announcement appears as a matter of record only. The Bonds were offered and sold outside the United States of America.

U.S. \$100,000,000

SEK

AB Svensk Exportkredit

(Swedish Export Credit Corporation)

14 3/4% Bonds Due May 15, 1990

Goldman Sachs International Corp.

- Credit Suisse First Boston Limited
- Skandinaviska Enskilda Banken
- Crédit Commercial de France
- The Nikko Securities Co., (Europe) Ltd.
- S. G. Warburg & Co. Ltd.
- Morgan Stanley International
- PKbanken
- Manufacturers Hanover Limited
- Union Bank of Switzerland (Securities) Limited
- Westdeutsche Landesbank Girozentrale
- Sparbankernas Bank

- Albhi Bank of Kuwait (K.S.C.)
- Arab Banking Corporation
- The Bank of Bermuda, Ltd.
- Bank Len International Ltd.
- Banque Générale du Luxembourg S.A.
- Banque de Neulize, Schlumberger, Mallet
- Banque Populaire Suisse S.A. Luxembourg
- Banque Worms
- Bayerische Vereinsbank
- Blyth Eastman Payne Webber International
- Chase Manhattan Capital Markets Group
- Citicorp International Group
- Copenhagen Handelsbank A/S
- Richard Darr & Co. Bankiers
- Deutsche Girozentrale
- Deutsche Kommunalbank
- European Banking Company
- Handelsbank N.W. (Overseas)
- Kleinwort, Benson
- Kuwait Investment Company (S.A.K.)
- LTCB International Limited
- Nederlandsche Credietbank N.V.
- Nomura International
- Orion Royal Bank Limited
- Solomon Brothers International
- Smith Barney, Harris Upham & Co.
- Strauss, Turnbull & Co.
- Verens- und Westbank
- Algemene Bank Nederland N.V.
- Arnhold and S. Bleichroeder, Inc.
- Bank Gutzwiller, Kurz, Bungener (Overseas)
- Bank Mees & Hope NV
- Banque de l'Indochine et de Suez
- Banque de Paris et des Pays-Bas
- Banque Privée de Gestion Financière
- Bayerische Hypotheken- und Wechselbank
- Bergan Bank
- B.S.I. Underwriters
- Chemical Bank International Group
- Compagnie de Banque et d'Investissements, CBI
- County Bank
- Den Danske Bank
- Dillon, Read Overseas Corporation
- Girozentrale and Bank der Österreichischen Sparkassen
- Istituto Bancario San Paolo di Torino
- Kredietbank S.A. Luxembourgaise
- Lazard Frères et Cie
- Merrill Lynch International & Co.
- Nippon Credit International (Hong Kong)
- Norddeutsche Landesbank
- Pierson, Holding & Pierson N.V.
- Scandinavian Bank
- Société Générale
- Swiss Bank Corporation International Limited
- Wood Gundy
- Al-Mal Group
- Banca del Gottardo
- Bank of Helsinki
- Bank of Tokyo International
- Banque Internationale à Luxembourg S.A.
- Banque de Paris et des Pays-Bas (Suisse) S.A.
- Banque de l'Union Européenne
- Bayerische Landesbank Girozentrale
- Berliner Handels- und Frankfurter Bank
- Cazenove & Co.
- Christiania Bank og Kreditkasse
- Continental Illinois
- Daiwa Europe Limited
- DG BANK
- Deutsche Bank
- Dresdner Bank
- Hambros Bank
- Kansai-Osaka-Frankfurt
- Kuwait International Investment Co. s.a.k.
- Lehman Brothers Kuhn Loeb International, Inc.
- Morgan Guaranty Ltd
- Nippon European Bank S.A.
- Sal. Oppenheim jr. & Cie.
- Rabobank Nederland
- Singer & Friedlander
- Société Générale de Banque S.A.
- Union Bank of Finland Ltd.
- Yamaichi International (Europe)

May 24, 1982

INSURANCE

Support grows for Howden as Lloyd's Bill enters crucial stage

BY JOHN MOORE, CITY CORRESPONDENT

THE Lloyd's of London legislation for improving the insurance market's self-regulation has entered the most sensitive and crucial phase in its Parliamentary history. Key clauses of the Bill are facing an unprecedented degree of opposition in the House of Lords from sectional interests of the Lloyd's market.

A large part of the Lloyd's market has ranged itself against the Lloyd's establishment in an effort to prevent the legislation incorporating clauses vital to the effectiveness of the self-regulatory powers. The clauses under attack are those which require Lloyd's insurance brokers, the buyers of insurance on behalf of clients, to sell their shareholding links with underwriting agency companies, which run underwriting syndicates, the sellers of insurance.

Alexander Howden Group, a leading Lloyd's insurance broker and part of Alexander and Alexander, the world's second largest insurance broker, is fighting the clauses through a Parliamentary petition supported by three other major brokers—C.E. Heath, Minet Holdings, and Stenhouse Holdings.

They are supported in the background by three other brokers—Sedgwick Group, Willis Faber and Stewart Wrightson. These groups have expressed support for the Lloyd's legislation, but privately they are violently opposed to the divestment clauses. They have supported the legislation so far because they felt that without the divestment clauses the Lloyd's Bill would never reach the statute books.

Last week, Sedgwick Group, Stewart Wrightson and Willis Faber allowed correspondence to be submitted by the Howden lobby expressing their reservations about divestment.

"Howden has other support. A group of underwriting agents is also attempting to remove the divestment clauses from the legislation through a Parliamentary petition.

A House of Commons committee insisted that Lloyd's include the divestment clauses because it had identified conflicts of interests which could undermine Lloyd's self-regulatory powers which the market is seeking in its new regulation.

A broker's main duty is to the assured, while an under-

writer is primarily answerable to the investors who put up the capital. Moreover, mergers and acquisitions of brokers and underwriters in recent years have concentrated power into fewer and fewer hands, threatening Lloyd's market character and with it Lloyd's reputation as a centre for flexibility and development.

The divestment clauses attempt to regularise the relationships between a broker, the broker's client, and the underwriting capital base of the market, to restore Lloyd's market character and identity, and to eliminate the possibility of abuse through conflicting interests within Lloyd's.

Those opposing the divestment clauses argue that the delicate fabric of the relationships within Lloyd's will be damaged.

Non-marine underwriters, those specialising in general lines of insurance business, from fire and damage to property to pianists' hands, say that underwriters may have to forge closer links with brokers in the future. Underwriters argue that they should be allowed to own brokers in order to market their own insurance schemes or products to remain competitive.

This argument, advanced before the Lords committee, was challenged by the Lloyd's establishment. The broker should be the agent of the assured and not the agent of the underwriter, Lloyd's legal counsel said.

Of more direct concern, brokers and underwriters, in defending the status quo within Lloyd's, have pointed out other conflicting interests within the market. These conflicting interests are serious and have far-reaching implications. Lloyd's and outside regulatory agencies will need to examine them closely.

It was pointed out that directors of client companies—the assured—are often invited by brokers to become members of Lloyd's syndicates, sometimes syndicates in which the director's own company has placed its insurance business.

In this way, brokers, by implication, created a quiescent client who is unlikely to complain about the size of premiums being charged by Lloyd's. The client's directors often stand to make a handsome profit by reason of membership of Lloyd's through high rates being

charged. A more serious point was advanced by a broker. Brokers will not lose much in the way of disclosed profit by divestment, but they will break up a favourably disposed revenue earning environment.

It is clear that a whole host of reciprocal revenue-earning arrangements will be disturbed by divestment. Conflicting interests, which may be against the wider public interest, are reflected in the long-standing commercial arrangements of mutual benefit between the brokers and underwriters. These links will be broken if divestment goes through.

No wonder, then, that brokers and a number of underwriters are against the measure, with just three brokers earning substantial revenues through controlling half the underwriting capacity at Lloyd's, and eight brokers producing more than 60 per cent of the business. If divestment goes through, said one broker, the brokers will come to regard Lloyd's as "just another market" lacking vital financial incentives.

Search and destroy plan fights cancer

SCIENTISTS are working on a new approach in the fight against cancer which involves starving tumours of blood and killing them. They seek drugs that would cut off blood supply to tumours while not attacking the tumours directly.

Dr Jilic Denekamp, head of the project, at the Gray Laboratory, Mount Vernon Hospital, Middlesex, said scientists knew from experiments with mice that cancer cells died within 24 hours of being deprived of blood.

Research at her laboratory over two years established that the cells lining the blood vessels leading to tumours multiplied much faster than in normal blood vessels. This opened the possibility of putting drugs into the blood stream to home in and destroy proliferating blood vessels round tumours without harming normal blood vessels. Her team was being helped in its search by a Cancer Research Campaign laboratory

This week's business in Commons and Lords

TODAY
Commons: Transport Bill, Report stage.
Lords: Local Government Finance (No 2) Bill, Committee. Debate on elections in El Salvador.
Select Committees: Foreign Affairs—Subject: Caribbean and Central America. British approach to security, stability and development. Witnesses: Foreign and Commonwealth Office, Overseas Development Administration (Room 16, 4.30 pm).
Education, Science and the Arts—Subject: Biotechnology. Witnesses: The Rt Hon Patrick Jenkin MP, Secretary for Industry (Room 6, 5.00 pm).
TOMORROW
Commons: Transport Bill, remaining stages.
Lords: Stock Transfer Bill, Second Reading. Social Security and Housing Benefits Bill, Report. Debate on Government policy on community enterprise programmes, and proposals to reduce substantially the grant being made to Elephant Jobs of London.
Select Committees: Agriculture—Subject: Less Favoured Areas. Witnesses: Ministry of Agriculture Fisheries and Food, Department of Agriculture and Fisheries for Scotland (Room 16, 11.00 am).
Environment—Subject: Methods of financing local government in the context of the Government's green paper (CMND 8449). Witness: The Rt Hon Tom King MP, Minister for Local Government and Environmental Services (Room 8, 4.00 pm).
Procedure (Finance)—Subject: Procedure (Finance). Witness: Sir Leo Plaitzky (Room 15, 4.15 pm).
WEDNESDAY
Commons: Debate on the European Community Harbours (Scotland) Bill, remaining stages. Motion on the undertaking relating to highlands and islands shipping services.
Lords: Debate on Report "Transport without handicap." Short debate on the situation in the Middle East. Iron and Steel Bill. Short debate on the Government's response to the Wilson Report on Public Records.
Select Committees: Education, Science and Arts—Subject: Biotechnology. Witnesses: Mr William Shelton MP, Under Secretary for Education and Science; University Grants Committee (Room 6, 10.30 am).
Social Services—Subject: Public Expenditure White Paper: Personal Social Services. Witnesses: Association of Directors of Social Services; Professor Adrian Webb and Mr Gerald Wistow of the University of Loughborough (Room 21, 4.15 pm).
Treasury and Civil Service Sub-Committee—Subject: The structure of personal income taxation and income support. Witnesses: Board of Inland Revenue officials (Room 15, 4.45 pm).
Committee on Private Bills: Unopposed Bills—1 Hong Kong China Gas Company 2, Thomas Brown and Sons.
THURSDAY
Commons: Northern Ireland Bill Committee stage.
Lords: Local Government (Miscellaneous Provisions) Bill, Third Reading. Local Government and Planning (Scotland) Bill, Second Reading. Industry Bill (Money Bill), Second Reading.
FRIDAY
Commons: Adjournment for the Spring (Whitsun) recess, until Tuesday, June 8.

Young backed city rioters last year, says researcher

A SOCIAL survey initiated, but kept unpublished by the Committee for Research into Public Attitudes found that young people and the unemployed were more sympathetic with last summer's rioters than with the police, Mr David Marsland, a Brunel University sociologist, says in a book published today.

Older people tended, on the whole, to support the police, he adds in his article in a new social affairs unit report.

"The survey research shows a polarisation between young and adult society with ominous potential for generational conflict, extremist political manipulation, crime and social disintegration."

The study also showed that around 80 per cent of adults and young people are in favour of two years' training in industrial skills for school leavers.

Mr Marsland says it is "mere fantasy" to hope that youth unemployment can be solved by training based on "stale ideas which have been tried, and tested and failed."

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities of Saatchi & Saatchi Company PLC or any of its subsidiaries.

SAATCHI & SAATCHI COMPANY PLC

(Incorporated in England No. 1320869)

Authorised
18,000,000

Issued and to be Issued
16,103,060

Ordinary shares of 10p each


Application has been made for the above issued Ordinary shares of Saatchi & Saatchi Company PLC to be admitted to the Official List by the Council of The Stock Exchange. Particulars relating to Saatchi & Saatchi Company PLC are available in the statistical service of Extel Statistical Services Limited and copies of such particulars may be obtained during usual business hours (Saturdays and public holidays excepted) up to and including 7th June, 1982 from:-

County Bank Limited,
11 Old Broad Street,
London EC2N 1BB

Phillips & Drew,
Lee House, London Wall,
London EC2Y 5AP

24th May, 1982

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange and is not an invitation to any person to subscribe for or to purchase any Loan Stock of the Company.



MARLBOROUGH PROPERTY HOLDINGS p.l.c.

(Registered in England no. 728260)

Rights Issue of £2,387,090 10 per cent. Convertible Unsecured Loan Stock 1998/2002 at par

An Extraordinary General Meeting of Marlborough Property Holdings p.l.c. ("the Company") was held on 21st May, 1982 at which shareholders approved an increase in the share capital of the Company and the issue of £2,387,090 10 per cent. Convertible Unsecured Loan Stock 1998/2002 ("Loan Stock") at par.

The Council of The Stock Exchange has admitted the Loan Stock to the Official List. Dealings in the Loan Stock commence today.

Particulars of the Loan Stock are available in the Extel Statistical Service and copies of such particulars may be obtained during business hours on any weekday (Saturdays and public holidays excepted) up to and including 11th June, 1982 from:-

Samuel Montagu & Co. Limited,
114 Old Broad Street,
London EC2P 2HY

Fielding, Newson-Smith & Co.,
Garrard House,
31 Gresham Street,
London EC2V 7DH

24th May 1982

DGZ '81 Expansion in Public Sector Financing

Deutsche Girozentrale — Financial Highlights 1981

Deutsche Kommunalbank — (DGZ), the only central banking institution on the federal level of the vast German Savings Banks Organization, increased its total assets to DM 26.2 billion in 1981, a growth of 16.2% over the previous year. This increase was supported by a particularly strong expansion in public sector lending, both at home and abroad, which resulted in increased volume in the Bank's new issues and securities business. Total long-term funds rose by DM 2.6 billion to DM 19.1 billion. Securities trading during the year was characterized by substantial growth in placement of the Bank's own issues.	DM million
Balance Sheet Total	26,181
Due from Credit Institutions	8,115
Debentures and Bonds	3,215
Receivable from:	
Non-Bank Clients	13,527
Fixed Assets	121
Deposits from:	
Credit Institutions	6,847
Deposits from:	
Non-Bank Clients	986
Own Debentures in Circulation	16,850
Capital and Published Reserves	445
Net Profit	21

In foreign lending emphasis was mainly put on strengthening the Bank's financing of German exports.

The Bank again participated in numerous public issues and private placements, denominated in DM and foreign currencies.

DGZ International S.A., the 100% Luxembourg subsidiary, also achieved continued expansion in business volume with particular emphasis on interbank money market and Eurocredit financings.

For more information about DGZ just get in touch.



Deutsche Girozentrale Deutsche Kommunalbank

FRANKFURT/BERLIN

Taunusanlage 10 • 6000 Frankfurt am Main 1 • Tel: (0611) 2693-1 • Telex 414168

... the "small" team with big resources

LOST BONDS AND COUPONS

JARDINE MATHESON (BERMUDA) LIMITED

YEN (10) 7% per cent Unsecured Guaranteed Bonds (with Coupons) numbered 5783 to 5792 inclusive of Jardine Matheson (Bermuda) Limited having been lost. NOTICE IS HEREBY GIVEN that replacement Bonds and Coupons will be issued in THREE (3) months from this date unless valid written objection is lodged with the undersigned prior thereto.

By Order of the Board of JARDINE MATHESON (BERMUDA) LIMITED
W. J. Downey, Director

Field House
Church Street
Hamilton 5-24
Bermuda
24th day of May, 1982

IRELAND

U.S. \$75,000,000 Floating Rate Notes due May, 1989/94

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the first Interest Period has been fixed at 14 1/2 per cent per annum. The Coupon Amounts will be U.S. \$378.99 for the U.S. \$55,000 denomination and U.S. \$18,949.65 for the U.S. \$250,000 denomination and will be payable on 25 November, 1982, against surrender of Coupon No. 1.

Manufacturers Hanover Limited Agent Bank

U.S. \$50,000,000 Midland International Financial Services B.V. (Incorporated with limited liability in the Netherlands)

Guaranteed Floating Rate Notes 1987


Guaranteed on a subordinated basis as to payment of principal and interest by

Midland Bank plc



For the six months from 24th May, 1982 to 24th November, 1982 the Notes will carry an interest rate of 15 1/2 per cent per annum. On 24th November, 1982 interest of U.S. \$77.31 will be due per U.S. \$1,000 Note for Coupon No. 11.

Agent Bank: Morgan Guaranty Trust Company of New York




MARLBOROUGH PROPERTY HOLDINGS p.l.c.

Results year ended 31st December 1981

	1981	1980
Turnover	£200	£000
Gross rents receivable	614	446
Sales of properties (other than investment properties)	1,687	1,911
	2,301	2,357
Dividend 0.4p per share (1980 0.325p)	86	63
Retained profit for the year	235	65

Continuing property investment emphasis increased gross rental income by 37%. Although 1982 will see a slow down in this rate of rental income growth, it will be an active year for new developments, which will be largely funded by the previously announced £2.4m rights issue of Convertible Loan Stock.

These securities having been placed privately, this announcement appears as a matter of record only.



Ireland

Dfls. 75,000,000

10 1/2 per cent. Dutch Guilder Notes 1982 due 1987

Annual coupons June 15

Algemene Bank Nederland N.V.
S.G. Warburg & Co. Ltd.
Kredietbank International Group

Amsterdam-Rotterdam Bank N.V.
Bank Mees & Hope NV
Pierson, Heldring & Pierson N.V.

May, 1982

BUILDING AND CIVIL ENGINEERING

Builders merchants confident

BUILDERS merchants are beginning to reap the benefit of this year's recovery in house-building starts...

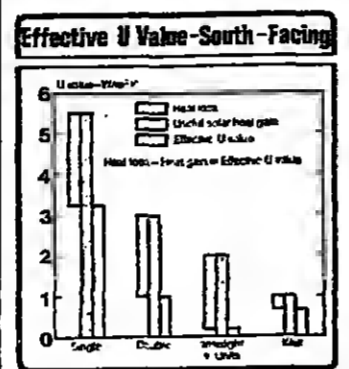
London stockbrokers Savory Millin have taken a consistent line on the early recovery prospects for some of the leading builders merchants...

Mr Williams, too, agreed that "people are more than a little worried" about the Falklands crisis...

Double glazing has a brighter outlook

GLASS WHICH could "revolutionise housing designs" has been introduced after five years' research by Pilkington...

Initially, Pilkington Kappafloat glass will be sold as complete double glazing units through its subsidiary...



Special glass is a few degrees higher than with ordinary double glazing...

With proper heating controls, room heating can be reduced for the same level of comfort...

UK CONTRACTS More work for Mansell

Four contracts, each worth well over £1m, top the list of a number of awards totalling about £11m made to R. MANSELL...

conditioning and a lift are included in the 19-month contract. Another new contract is for the design and management of a pharmaceutical manufacturing facility...

Refurbishment at the Savoy

KYLE STEWART (CONTRACTORS) has been awarded the refurbishment of Savoy Court East, part of the famous hotel...

BOVIS CONSTRUCTION

has been awarded a £4.4m contract to build luxury flats in a conservation area at Regents Park Road, N2, for Bovis Homes...

UK CONTRACTS OVERSEAS Riyadh rural electrification

The Riyadh rural electrification project has been awarded to BICC CONSTRUCTION 'a subsidiary of Balfour Beatty Power Construction'...

BALFOURS, UK consulting engineers

is to undertake a study, investigation and design of water supply facilities for six villages in the northern area of Saudi Arabia...

Town planners want radical changes now

AT THE Royal Town Planning Institute annual conference last week Mr David Eversley, from the Department of Land Economy, University of Cambridge, presented some stark alternatives to the special pleading for government money...

His prescription for change included the following courses of action: Restrictions on further new building, residential, industrial or commercial, except for expansion of existing enterprises...

Double glazing has a brighter outlook

With proper heating controls, room heating can be reduced for the same level of comfort, so saving more fuel, says the company.

Special glass is a few degrees higher than with ordinary double glazing...

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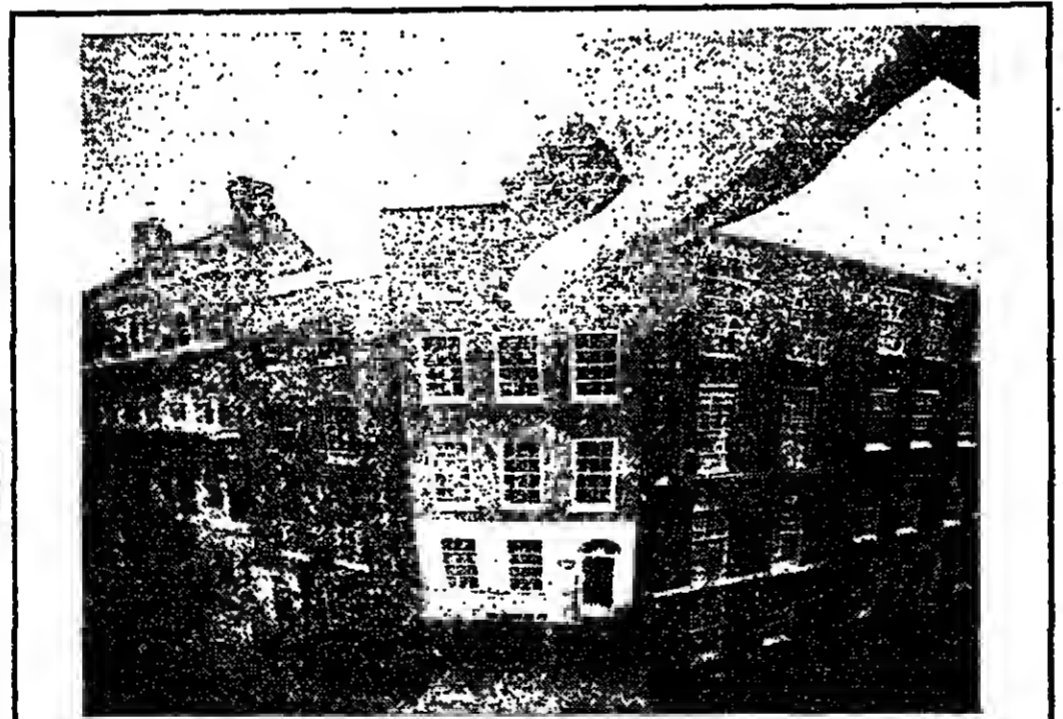
BALFOURS, UK consulting engineers

is to undertake a study, investigation and design of water supply facilities for six villages in the northern area of Saudi Arabia...

A FINANCIAL TIMES SURVEY COMMODITIES

The Financial Times proposes to publish a Survey on Commodities. The following synopsis outlines the topics to be discussed.

- 1. INTRODUCTION. Depressed demand has hit most markets, but traders are expecting a return to boom times once consumption returns to more normal levels...
2. INTERNATIONAL PETROLEUM EXCHANGE. Turnover during first year of gas oil futures trading has exceeded all expectations...
3. SOYABEAN OIL. Futures contract in London launched in April...



Wallis make buildings fit again. Refurbishment makes sound economic sense. A Wallis package would make full use of available space. And that's more economic sense.

GEWallis & Sons Ltd. 2-6 Homesdale Road, Bromley, Kent BR2 9TN. Telephone: 01-464 3377. Telex: 896691 GEWALLIS

Financial Times Conferences

- WORLD ELECTRONICS - The U.S., Japan and Europe: Competition or Collaboration? London - June 9 and 10, 1982. The U.S. and Japan are competing severely in an increasingly wide range of markets including computers, communications and semiconductor products...
THE ECONOMICS OF NATURAL GAS DEVELOPMENT Venice - June 21 and 22, 1982. The Financial Times is pleased to announce that this major international symposium is to be addressed by Dr M. Y. Shanna, Consultant, GOIC and Petrochemical Expert...

BUSINESSMAN'S DIARY UK TRADE FAIRS AND EXHIBITIONS

Table with columns: Date, Title, Venue. Includes events like International Heating, Ventilating and Air Conditioning Exhibition, World Wine Fair and Festival, etc.

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Table with columns: Date, Title, Venue. Includes events like Europe Software Exhibition, International Wine Exhibition, National Textile Industry Trade Fair, etc.

BUSINESS AND MANAGEMENT CONFERENCES

Table with columns: Date, Title, Venue. Includes events like The Economist Video Conference, AMR International/EuroMoney, Institute for International Research, etc.

Hunting Gate 4444 More than builders (0462) 4444

Longer life for road surfaces

CO-OPERATION BETWEEN Tarmac, Roadstone Holdings and Richard Felsing of Austria has led to the formation of a jointly owned company (Novophalt) to promote the use of road surfacings exploiting the Novophalt process.

Substantial improvements in resistance to deformation and road life in general arise out of the high cohesive strength and viscosity behaviour of asphalts containing the Novophalt binder, the company says.

JUST PUBLISHED by the Chipboard Promotium Association is the revised advisory leaflet on "Insulated Ground Floors" which includes the detailed listings showing the economy of using chipboard over competitive panel products.

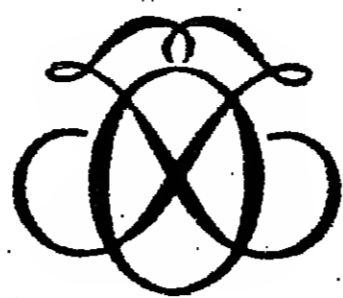
Vertical text on the right edge of the page, partially cut off.

Handwritten note: *Handwritten text in a box at the top right of the page.*

No person receiving a copy of this Offer for Sale and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation to sell, nor should he in any event use such Form unless in the relevant territory such an invitation could lawfully be made to him or such Form could lawfully be used without compliance with any requirements or other legal requirements. Any person outside the United Kingdom wishing to make an application hereunder should satisfy himself as to observance of the laws of any relevant territory, including obtaining any requisite governmental or other consents or observing any other requisite formalities.

Copies of this Offer for Sale, having attached thereto the documents referred to below, have been delivered to the Registrar of Companies in England for registration. This Offer for Sale contains particulars given to comply with the regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Oriflame International S.A. ("the Company"). The directors have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the directors accept responsibility accordingly.

Application will be made to the Council of The Stock Exchange for the whole of the share capital of the Company, issued and now being issued, and whether in bearer or registered form, to be admitted to the Official List.



ORIFLAME INTERNATIONAL SA

(a Société Anonyme incorporated under Luxembourg law. R.C. Lax. No. B8835)

OFFER FOR SALE BY MORGAN GRENFELL & CO. LIMITED AND BLYTH EASTMAN PAINE WEBBER INTERNATIONAL LIMITED

of 866,634 shares of US \$1.50 each at 600p per share payable in full on application.

The shares now offered for sale rank in full for all dividends hereafter paid on the share capital of the Company.

The application list for the shares now offered for sale will open at 10.00 a.m. on Thursday, 27th May, 1982 and may be closed at any time thereafter.

SUMMARY OF INFORMATION

The information below should be read in conjunction with the full text of this Offer for Sale.

In order to show the growth of sales based on the underlying local currencies in which the Group trades, the following table sets out the Group's sales figures on the basis of the exchange rates used in compiling the 1981 audited accounts:-

The Group

Oriflame International SA is the holding company of an international group, the principal activity of which is the production and marketing, on a direct sales basis, of its own brand of cosmetics. The principal markets for Oriflame's products are in Western Europe and Scandinavia. Sales of Oriflame products have recently commenced in North America and the Far East. The Group also operates a mail order company in Sweden.

Year to 31st December	Sales \$000
1977	11,314
1978	17,500
1979	25,154
1980	32,106
1981	38,359
1982 (forecast)	44,700

Sales and Profits

The sales, profit before tax, profit after tax and earnings per share of the Group for the five years ended 31st December, 1981 and as forecast for the current year ending 31st December, 1982 are as follows:-

Year to 31st December	Sales \$000	Profit before tax \$000	Profit after tax \$000	Earnings per share \$
1977	11,501	1,473	1,253	0.26
1978	18,625	1,829	1,554	0.33
1979	23,486	3,236	2,860	0.60
1980	37,808	4,429	4,201	0.85
1981	38,359	5,784	4,932	0.97
1982 (forecast)	40,000	6,750	6,000	1.16

Earnings per share have been adjusted to take account of the recent capital reorganisation.

The Company has prepared its accounts in dollars since its formation. Accordingly, the published results are sensitive to exchange rates, particularly to the extent that the dollar moves against the currencies in which the Group trades. This sensitivity is emphasised by the fact that hitherto the Group has had no significant sales in dollars. In general, relative strength of the dollar depresses and relative weakness increases Group results.

Market Capitalisation

At the Offer for Sale price of 600p (\$10.91) and based on the 5,334,080 shares in issue after this Offer for Sale, the market capitalisation of the Company would be \$32.0 million (\$58.2 million).

Price Earnings Ratio

At the Offer for Sale price of 600p (\$10.91) the historic price earnings ratio would be 11.2 and the prospective price earnings ratio 9.4.

Dividends

In the absence of unforeseen circumstances, the directors expect that dividends will be paid in November, 1982 of \$0.20 per share and in May, 1983 of \$0.30 per share—a total of \$0.50 (27.5p) per share. At the Offer for Sale price this represents a prospective gross yield of 4.6 per cent. Dividends will be paid without deduction of any Luxembourg withholding tax.

Adjusted Net Assets

The net assets of the Group attributable to shareholders as at 31st December, 1981, adjusted to show the effects of this Offer for Sale, would be \$13.6 million (£7.5 million). This is equivalent to \$2.56 (141p) per share.

An exchange rate of £1 = \$1.8185, the rate ruling at the close of business on 17th May, 1982, has been used for translation in this Summary of Information. This translation is for illustrative purposes only.

SHARE CAPITAL

Authorised	Shares of US \$1.50 par value	Issued and now being issued fully paid
US \$10,500,000		US \$8,001,120

INDEBTEDNESS

At the close of business on 30th April, 1982 the Company and its subsidiaries (in this paragraph referred to as "the Group") had outstanding in aggregate term loans of US \$2,223,000 (US \$2,113,000 secured) and secured bank overdrafts of US \$521,000. Save as aforesaid and apart from intra-Group indebtedness and guarantees, at the close of business on 30th April, 1982 no company in the Group had any loan capital (including term loans) outstanding or created but unissued, or any outstanding mortgages, charges, borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire-purchase commitments, guarantees or other material contingent liabilities. At the close of business on 30th April, 1982 the Group had aggregate cash balances of US \$5,634,000. For the purposes of this paragraph amounts in currencies other than US dollars have been translated into dollars at the rates ruling at the close of business on 30th April, 1982.

DIRECTORS AND ADVISERS

Directors

Jonas Bertil Theodor David of Jochnick Chairman (Swedish), 14 Avenue de la Réserve, 1640 Rhode St. Genese, Belgium
Robert Bertil Jonas af Jochnick Deputy Chairman (Swedish), Grandden 4, 18352 Täby, Sweden
Svante Peter Pahlsson-Moller (Swedish), 23 Thurloe Square, London SW7 2SD
Cecil Miles Biddow FCA (British), Flat 8, One Princes Gate, London SW7 1QJ

Registered Office

10 rue Aldringen, 1118 Luxembourg

Issuing Houses

Morgan Grenfell & Co. Limited, 25 Great Winchester Street, London EC2P 2AX
Blyth Eastman Paine Webber International Limited, 11/12 Finsbury Square, London EC2A 1AS

Stockbrokers

de Zoete & Bevan, 25 Finsbury Circus, London EC2M 7EE and at The Stock Exchange

Auditors and Reporting Accountants

Peat, Marwick, Mitchell & Co., Arts Center, Avenue des Arts 19H, 1040 Brussels, Belgium

Legal Advisers in Luxembourg

Elvinger & Hoos, 15 Cite d'Eich, 1460 Luxembourg

Solicitors to the Company

Baker & McKenzie, Aldwych House, Aldwych, London WC2B 4JP

Solicitors to the Offer for Sale

Norton, Rose, Butterfield & Roche, Kempsoo House, Camomilin Street, London EC3A 7AN

Principal Bankers

Skandinaviska Enskilda Banken
Williams & Glyn's Bank plc

Registrars and Transfer Offices:

Principal Registrars
Banque de l'Indochine et de Suez SA Luxembourg, 10 rue Aldringen, 1118 Luxembourg

United Kingdom Branch Registrars

Williams & Glyn's Registrars Limited, 16 Old Broad Street, London EC2N 1DL

Dividend Paying Agents for Bearer Shares

Banque de l'Indochine et de Suez SA Luxembourg, 10 rue Aldringen, 1118 Luxembourg

United Kingdom Branch Registrars

Banque de l'Indochine et de Suez, 62/64 Bishopsgate, London EC2N 4AR

Receiving Bankers

Williams & Glyn's Bank plc, New Issues Department, P.O. Box 425, 67 Lombard Street, London EC3P 3DL

GENERAL DESCRIPTION OF THE GROUP

The information in this Offer for Sale has been supplied to the Issuing Houses by the directors of the Company. The terms "Oriflame" and "the Group" are, except where the context otherwise requires, used to refer to the group consisting of the Company, its subsidiaries and associated companies. The word "Oriflame" is also the trade name of the Group's brand of cosmetics. References to "dollars" and "\$" are to United States dollars.

Introduction

The Company is the holding company of an international group, the principal activity of which is the production and marketing, on a direct sales basis, of its own brand of cosmetics. The Group also operates a mail order company in Sweden.

Oriflame offers in a number of countries a range of cosmetic products with particular emphasis on skin care treatment. The cosmetics are for the most part marketed direct to the consumer by trained independent consultants, largely through in-home demonstrations. The Group does not sell through traditional retail outlets or to wholesalers. High profitability is achieved through the effective use of direct selling methods, where the advertising costs and the distribution mark-up are lower than those in most traditional sales methods.

It has always been intended, at a suitable time in the Group's development, to obtain a listing for the Company's shares. The size that the Group has now reached, the significance of its United Kingdom activities and the importance and international nature of the London capital market have led the directors to seek a listing in London on The Stock Exchange.

History

The first Oriflame sales company was established in Sweden in 1967 by Jonas af Jochnick and Robert af Jochnick (the chairman and deputy chairman respectively) and a third partner who has ceased to be actively involved in the management of the Group. Their objective was to take advantage of the growing consumer interest in skin care products by developing a limited range of high quality cosmetic items with an emphasis on skin care.

Direct selling, in which trained sales consultants demonstrate the products to groups of people in private homes, was identified as an effective means of introducing these products to the public. At this stage product development and manufacture were carried out by independent sub-contractors in consultation with Oriflame.

Following initial success in Scandinavia, marketing of Oriflame products began in other Western European countries. Currently Oriflame products are sold principally in 13 countries, either through Group sales subsidiaries, associated companies or through independent licensed distributors.

In 1976 the Company acquired an established Swedish mail order company Lagonda-Postorder AB ("Lagonda"), which specialises in the sale of watches, jewellery and other gift items. The acquisition was made with a view to exploiting Oriflame's expertise in distribution, catalogue development and promotion.

1979 saw the completion of construction of a new factory in Dublin, in which approximately one half by value and by volume of the cosmetic products sold by Oriflame are now produced.

In 1980 the Group established its central financial management in Brussels and initiated a management reorganisation which was completed early in 1981. The resultant divisional structure, described under "Management" below, is designed to facilitate further growth.

Other recent important events have included, in 1980, the creation of a joint venture company to market Oriflame products in the Far East and, in 1981, the enlargement of the Dublin factory and the entry into the United States market.

The sales figures shown in this Offer for Sale in respect of cosmetic products represent sales, excluding turnover taxes, to consultants of the sales subsidiaries and to licensed distributors and associated companies.

Group Sales

An analysis of Group sales in 1981 is set out below:-

Country	Date of commencement of marketing	Group sales in 1981	
		\$000	Percentage
Sales subsidiaries			
Sweden	1967	4,975	13.0
Denmark	1967	1,605	4.2
Finland	1968	4,411	11.5
Germany	1969	4,469	11.6
United Kingdom	1970	14,076	36.6
The Netherlands	1972	3,664	9.6
Spain	1978	309	0.8
France	1979	1,737	4.5
Canada	1980	238	0.6
		31,484	82.0
Sales to licensed distributors and associated companies			
Norway	1969	1,165	3.0
Switzerland	1971	228	0.6
Republic of Ireland	1975	399	1.0
Thailand	1981	8	0.1
Other		21	0.1
		1,821	4.8
Mail order sales			
Sweden	1976	5,054	13.2
		38,359	100.0

The Company has prepared its accounts in dollars since its formation.

ORIFLAME PRODUCTS

Product Range

It is believed that most customers for Oriflame products are women over the age of 20 in the middle income brackets. The range of products is designed to satisfy customers' requirements for basic skin care products; these products are marketed on the basis of low fragrance, natural ingredients and history of low allergy incidence. Prices are aimed to be in the middle of the market. Make-up, fragrance and men's products are also sold in conjunction with skin care products. The Group does not produce or market soap or hair care products to a significant extent. In 1981 the breakdown of sales of Oriflame cosmetic products, which was broadly consistent with previous years, was as follows:-

Product Category	Percentage
Skin care	47.6
Make-up	41.1
Fragrance	6.3
Men's products	5.0
	100.0

There are 19 product groups within these four categories. Taking into account separate shades and other variations there are a total of approximately 320 Oriflame cosmetic products. The 12 basic skin care products represented 33 per cent. of Oriflame cosmetic product sales in 1981.

In February, 1982 Oriflame launched "The Oriflame Natural Skincare System" a new product range. This range was developed in the Group's laboratories at its manufacturing headquarters in Dublin. It is based on a series of new formulas and is presented in restyled packaging, which reflects extensive market research over the last three years. The new range complements the Group's existing speciality product range known as "The Royal Velvet Collection" and it is expected that, together with the Group's other existing products, these ranges will form the basis of Group sales in coming years.

Manufacturing

Oriflame has manufactured a proportion of its own cosmetic products since 1979, when production commenced at the Group's factory on the Sandymount Industrial Estate in Dublin. This was completed at a total cost of IR£1,082,000. The factory also houses the Group's laboratories, which supervise quality control work and research and development of new products. The factory was extended during the last year at a total cost of IR£242,000 to enable the expansion of both production capacity and warehousing and office space to take place. Grants totalling IR£317,000 have been received from the Irish Industrial Development Authority.

Manufacturing, which was initially concentrated on the most popular products in the Oriflame range, has been expanded, with the result that in 1981 approximately 50 per cent. of the Group's unit sales of cosmetics, comprising some 110 of Oriflame's cosmetic products, were produced in the factory. The balance is produced by independent sub-contractors to specifications.

ORIFLAME INTERNATIONAL SA

approved by Oriflame. Although the Group has hitherto purchased the whole or the major proportion of certain of its requirements for particular raw materials or other items from a single supplier or a limited number of suppliers, all its supply arrangements are constantly under review; there are alternative sources of supply and thus the Group need not depend on any particular supplier.

Each sales subsidiary has warehousing facilities in its respective country of operation. Oriflame UK Limited's headquarters are in an office and warehouse building in Milton Keynes, which was purpose-built for Oriflame in 1979. Details of the Group's principal properties are set out under "Statutory and General Information" below.

MARKETING

Direct Selling

Oriflame's cosmetic products are for the most part marketed direct to the consumer by trained independent consultants, largely through in-home demonstrations. High profitability is achieved through the effective use of direct selling methods, where the advertising costs and the distribution mark-up are lower than those in most traditional sales methods.

The directors believe that the principal advantages of Oriflame's in-home direct selling methods are as follows:-

- Marketing is based on personal demonstrations of the products, which give the customer an opportunity to sample the products before making a purchase.
- A comparatively short range of the most popular products is emphasised, with consequent economies of scale in manufacturing and stock holding.
- Close control can be maintained over marketing.
- New products can be launched without the necessity for introductory advertising.
- New territories can be entered cheaply with low central overheads and low start-up costs.
- Adverse economic conditions appear to have little effect on sales. One of the principal factors affecting sales is the appointment of sales consultants; in a time of recession a profitable part-time occupation is attractive.

Sales Consultants

Other than in France, the sales consultants are independent of the Group and are self-employed, mostly working on a part-time basis.

The number of consultants is of vital importance to the Group, since it is closely related to the volume of sales and thus to profits. In direct selling, turnover of consultants is high, with some remaining associated with the Group for only a short time, although others remain for many years. The Group makes extensive efforts to retain its consultants once they have been appointed; a series of incentive schemes, with a range of prizes, is arranged throughout the year to encourage performance. There are currently approximately 24,000 registered Oriflame consultants, virtually all of whom are women.

The structure of the consultant network in each country is geared both to the identification of new consultants and also to providing favourable conditions for existing consultants. Consultants are generally organised into groups of about ten who are guided by an experienced consultant, designated as a manager. The managers have two sources of income, the profit on sales which they make as consultants and payments made to them by reference to sales to customers by consultants in their group. These groups are in turn part of larger regional groups, the structure of which varies from country to country.

Before new consultants start to sell the Oriflame range of products they receive training in its application and use, as well as in the Group's selling techniques. The Group also provides regular refresher courses; in the United Kingdom, for example, video-recorded programmes are circulated to managers for display to sales consultants.

The Group has evolved a disciplined system for delivery of goods and collection of cash. In most of the countries in which the Group operates, a consultant takes orders from customers and passes them to the central office in her country. Goods are delivered within ten days to the consultant, who then distributes them to the customer and collects payment. A consultant has three weeks from the date of the invoice to her in which to pay for the goods received. No further orders are delivered until any amount overdue is paid. The Group's incidence of bad debts has generally been kept to or under one per cent. of sales. In North America, in line with other direct selling companies there, the consultants purchase, pay for and hold a stock of goods, selling products for immediate payment.

Except in France, the consultants are not employees of the Group and consequently the Group makes no social security (or equivalent) payments in respect of them and has no liability to provide any other such benefit to them. In France, because of local legal requirements, sales consultants are employed by the French sales subsidiary.

The status of the consultant as an independent contractor is an important aspect of direct selling methods in general. The Group seeks to react quickly to any changes when they occur in the taxation and social security regulations relating to the status of consultants in the different countries in which the Group operates.

In the United Kingdom value added tax is levied on the selling company and is based on the suggested retail price payable by the consumer. In other countries turnover taxes are calculated on varying bases.

Direct Selling Methods

In view of the differing characteristics of the markets in which the Group operates, three direct selling methods for Oriflame products are used, namely the Demonstration Method, the SK Method and the Club Method:-

The Demonstration Method is the method predominantly employed by the Group and it is intended that it will be employed by any new sales subsidiaries and licensed distributors.

The method is based on demonstrations given by sales consultants in private homes to groups of about eight to ten invited guests. Each demonstration is arranged at the home of a hostess who invites her friends to it. Although the hostess has no connection with the Group, she is normally rewarded with a gift for the assistance that she has given. At the demonstration the consultant takes orders and then buys goods as described in "Sales Consultants" above. Consultants are provided with a suggested retail price list. Under this method a comparatively short product range of approximately 60 items is offered.

This method is used by sales subsidiaries in The Netherlands, the United Kingdom, France, Spain and Canada, by licensed distributors in Norway, Ireland and Switzerland and by associated companies in Thailand and the United States. The approximate numbers of consultants active in the countries in which this method is operated are:-

Country	Number
The Netherlands	920
United Kingdom	4,100
France	610
Spain	220
Canada	110
Norway	1,180
Ireland	480
Switzerland	520
Thailand	240
United States	50

The average value of orders placed by each consultant in a year is approximately \$3,500. In the directors' opinion the maximum number of homes that each consultant can effectively cover through the use of this method is about 1,000. The directors consider that in most countries the market is by no means fully covered and that there is considerable scope for further expansion.

By way of example, in the United Kingdom there are currently some 4,100 consultants and an estimated 20 million households. If the UK sales subsidiary were to achieve the ultimate objective of one consultant per 1,000 homes on average, it would have some 20,000 consultants.

The SK Method, which is operated in Sweden and Finland, is similar to the method believed to be used by Avon Products.

The approximate numbers of Oriflame consultants active in the countries in which this method is operated are:-

Country	Number
Sweden	9,200
Finland	6,300

SK Method sales are made through individual contact with customers on a one-to-one basis. The full Oriflame product range is included in a catalogue produced every year. Moreover, each year is divided into about 18 sales campaigns; for each campaign a separate sales catalogue is produced, offering a number of items in the product range at reduced prices.

Sales are made by direct contact with customers at home or at their places of work and, as with the Demonstration Method, the consultant purchases the goods and sells them at a profit to herself, normally on the basis of a suggested retail price list. The nature of this method means that sales per SK consultant tend to be lower than per Demonstration consultant. In the directors' opinion, saturation of the market is not reached until there is one consultant per 200 homes.

The Club Method combines mail order and direct sales techniques and is currently operated by the Group in Denmark and Germany. Members are recruited into clubs and receive catalogues which they use to make their own purchases. They are also encouraged to act as consultants, using the catalogue to obtain orders from their friends.

Codes of Practice

Almost all sales subsidiaries are members, and in some cases are represented on the boards, of their national Direct Sales Association. Membership obliges them to observe the national code of direct selling practice. The national associations in Europe are themselves members of the European Federation of Direct Selling Organisations. In the United Kingdom Oriflame UK Limited is a member of the Direct Sales and Service Association.

The Commission of the European Communities has issued a proposal for a directive on direct selling. The enactment of this directive as currently drafted would have no material effect on the Group, since compliance is already made with substantially all its provisions.

MAIL ORDER IN SWEDEN

In 1976 the Group acquired Lagonda, an established Swedish mail order company. This acquisition was made to expand the Group's activities into areas where its proven expertise in distribution, catalogue development and promotion could be further utilised. Lagonda's catalogue at the time of the acquisition consisted mostly of watches. The product range has subsequently been expanded to cover a wider variety of gift items and consumer electronic products; in 1981 watches accounted for approximately one third of Lagonda's turnover.

Lagonda issues its principal catalogue twice a year; the catalogue issued in January, 1982 had 102 pages and a basic mailing list of about 200,000. In addition, Lagonda sends subsequent abbreviated catalogues to its most active purchasers and buys mailing lists from outside the Group; in 1981 about 1.2 million catalogues were mailed.

The Group has made substantial efforts in Lagonda with a view to improving the quality of the product line, strengthening the management, improving the response to the catalogue and increasing the volume of sales. A new computer system has recently been installed.

However, Lagonda has not been profitable since its acquisition. After a recovery period up to 1980, when the result was close to break-even, the 1981 results were disappointing as the

recessionary economic climate in Sweden and the weakness of the Swedish krona put pressure on both sales and margins. Efforts are being made in 1982 to restructure and reduce Lagonda's product line, to increase the size of the mailing list and to reduce sensitivity to seasonal fluctuations, thereby improving the return on turnover.

DIRECTORS, MANAGEMENT AND EMPLOYEES

Directors

Jonas af Jochnick, who is 44, is chairman of the Company and of the Executive Committee and is also currently responsible for the New Markets Division. He was one of the founders of Oriflame and has a law degree from Stockholm University and an MBA from Harvard Business School.

Robert af Jochnick, who is 42 and is the chairman's brother, is deputy chairman of the Company and of the Executive Committee and is responsible for the Scandinavian Sales Division. He has a law degree and an MBA from Stockholm University and was one of the founders of Oriflame.

Svante Pahlson-Moller, who is 40, has been a non-executive director of the Company since 1980. He is an executive director of Blyth Eastman Paine Webber International Limited and has an MBA from Harvard Business School.

Bill Biddow, FCA, who is 61, is a non-executive director. He is chairman of London & Midland Industrial PLC and a non-executive director of other listed and public companies in the United Kingdom. He was appointed a director of the Company in 1982.

None of the directors has a service agreement with the Company or any of its subsidiaries.

Management

The Group is organised in four operating divisions. These report to the Executive Committee, a central committee with overall responsibility for co-ordinating the Group's management. The operating divisions are:-

The Direct Sales Division, covering those of the Group's established markets where the Demonstration Method is used.

The Scandinavian Sales Division, comprising the Group's direct sales and mail order operations in Scandinavia and Germany.

The New Markets Division, which identifies, establishes and develops new markets for the sale of Oriflame products.

The Product Division, covering all activities related to the purchase and manufacture of Oriflame products, their distribution and their sale to licensed distributors.

The Group's management philosophy is to decentralise authority as much as possible. Managing directors of the individual sales companies, who have considerable autonomy, report through their divisional heads to the Executive Committee, which itself reports to the board of directors of the Company. The members of the Executive Committee are Jonas af Jochnick, Robert af Jochnick, Robert Mesterton and Alan Harris.

Robert Mesterton, who is 35, joined the Group in 1978 as managing director of the Swedish sales subsidiary; he was previously managing director of the Swedish company Europcar Rental AB. In 1981 he assumed responsibility for the Direct Sales Division and became managing director of the United Kingdom sales subsidiary.

Alan Harris, who is 34, joined the Group in 1982 and has responsibility for the Product Division. He was previously responsible for manufacturing administration of Avon Cosmetics Limited.

Oriflame has recently recruited a new senior executive to be responsible for the New Markets Division, which the chairman has hitherto administered. Christian Barnekow, who is 38, is currently managing director of Electrolux Belgium. He has been with the Electrolux group for 15 years and before his Belgian appointment was deputy managing director of their Mexican subsidiary and deputy regional manager for their direct sales activities in Latin America. He will join the Group shortly and will become a member of the Executive Committee.

Administration and co-ordination of the Group's financial control is effected by a group financial services centre located in Brussels. The local financial controllers in the manufacturing and sales subsidiaries report to this centre, which is managed by two Group financial controllers and reports to the chairman. The centre is responsible for regular management reporting within the Group and for monitoring the budgets and trading performance of subsidiaries.

Employees

In addition to the French sales staff, the Company and its subsidiaries have approximately 240 employees, of whom about 75 work in the Dublin factory and laboratories and about 30 work for Lagonda; the remainder comprise finance, administrative, data processing, warehousing, distribution and promotional staff. A further 900 part-time sales staff are currently employed by the French sales subsidiary, of whom some 610 are active.

The Company has recently instituted an Employee Share Option Plan to enable key executives, including executive directors of the Company, to benefit from the performance of the Group. A summary of this plan is set out under "Statutory and General Information" below. Some employees receive a significant proportion of their remuneration in the form of bonuses related to their performance and to Group profit.

Employees of the United Kingdom, Irish and Netherlands subsidiaries participate in insured pension schemes for employees. Other subsidiaries do not operate their own pension schemes.

Special Application Forms will be made available in the United Kingdom to employees of the Group to apply for shares in this Offer for Sale. Such applications will be at the Offer for Sale price, but the minimum number of shares which may be applied for is smaller than that required under applications from the public. A maximum of 43,000 shares, representing approximately five per cent. of the shares now being offered for sale, will be reserved for such applications. Details of these arrangements are set out under "Procedure for Application" below.

GROUP STRUCTURE

The Company is registered in Luxembourg. Its status as a Luxembourg holding company results in its only liability to Luxembourg tax (other than capital duty) being an annual charge of 0.2 per cent. on the value of its issued share capital.

The Irish manufacturing subsidiary qualifies until 2000 for reduced rates of corporation tax in the Republic of Ireland in respect of goods manufactured for export. Until 1990 no corporation tax will be payable on profits arising from goods exported. From 1991 to 2000 corporation tax will be payable at the rate of 10 per cent. This subsidiary (as agent for Zetus SA, a member of the Group incorporated in Switzerland) also purchases and sells cosmetic products not manufactured by the Group. The tax treatment of the Company and these two subsidiaries is to a significant extent responsible for the relatively low overall Group tax charge.

The sales subsidiaries in Sweden, Denmark, Finland, Germany, the United Kingdom, The Netherlands, Spain, France and Canada are all wholly-owned subsidiaries, as is Lagonda.

The Company has a 49 per cent. holding in a joint venture company incorporated in Thailand, with a local partner owning the balance. This company was established in 1980 as a first step in marketing Oriflame products throughout the Far East.

In 1981, in order to gain direct access to the United States market, the Company acquired 25 per cent. of the share capital of Oriflame Corporation (a United States company formed by one of Oriflame's original founders). At the same time it acquired all the trademarks owned by that company and an option, which it intends to exercise, to acquire in January, 1983 the outstanding 75 per cent. of that company's share capital (see material contracts (b), (c) and (d) under "Statutory and General Information" below).

In Switzerland, Norway and the Republic of Ireland local conditions make it more suitable for Oriflame's products to be sold through independent licensed distributors, which have exclusive distribution rights in their respective countries of operation. Details regarding these distributorships are set out in "Distributor Arrangements" under "Statutory and General Information" below.

The principal subsidiaries at 31st December, 1981 are listed in the Accountants' Report below.

REGISTERED AND BEARER SHARES

The shares of the Company, which form one class and rank pari passu, may be held either in registered or in bearer form. Application will be made to the Council of The Stock Exchange for listing of the shares in both forms.

Registered shares may, as the holder elects, be registered either on the Company's principal register in Luxembourg or on the United Kingdom branch register. Shares registered on the principal register may be exchanged for bearer shares and vice versa; for a share registered on the branch register to be exchanged for a bearer share it must first be transmitted to the principal register.

Bearer share certificates with coupon sheets attached are available from the principal registrar in Luxembourg.

Successful applicants under this Offer for Sale will receive a Letter of Acceptance, which will be renounceable for a period of approximately four weeks. Unless otherwise instructed, the Company will register the shares represented by Letters of Acceptance on the United Kingdom branch register, which is to be maintained by Williams & Glynn Registrars Limited.

Further information regarding registered and bearer shares, including the procedures for transmission of shares between registers and the exchange of registered share certificates for bearer share certificates, is set out in "Registered Shares and Bearer Shares" under "Statutory and General Information" below.

PROFIT RECORD, PROFIT FORECAST AND DIVIDENDS

Profit Record

The profit record for the five years ended 31st December, 1981 is set out in the Accountants' Report below. During that period sales increased from \$11.5 million to \$38.4 million, profit before tax from \$1.5 million to \$5.8 million and earnings per share from \$0.26 to \$0.97. These represent increases by factors of 3.34 times in sales, 3.87 times in profit before tax and 3.73 times in earnings per share.

Profit Forecast

Having regard to the unaudited figures for the operating companies in the Group for the first quarter of 1982 and to subsequent management information, the directors have prepared a forecast for the Group for the current year ending 31st December, 1982. On the basis and assumptions set out under "Profit Forecast—Assumptions and Reports" below and in the absence of unforeseen circumstances, the forecast is as follows:-

	\$ million
Sales, excluding turnover taxes	approximately 40.00
Profit before tax	approximately 6.75
Tax	approximately (0.75)
Profit after tax	approximately 6.00
Earnings per share	approximately \$1.16

The published profit and loss account is compiled on the basis of the average exchange rates in the year concerned. The forecast has been compiled on the basis of the actual exchange rates for each of the first four months of 1982 and on the assumption that the exchange rates for the remaining eight months will not vary significantly from those ruling at 30th April, 1982.

The earnings per share have been calculated on the basis of the estimated weighted average number of shares outstanding in the year.

Copies of letters from the Reporting Accountants and the Issuing Houses on this forecast are set out under "Profit Forecast—Assumptions and Reports" below.

Dividends

A dividend equivalent to \$1.2143 per share in respect of the year ended 31st December, 1981 was approved on 14th May, 1982 for immediate payment. Holders of shares acquired pursuant to this Offer for Sale will not be entitled to this dividend.

Luxembourg law permits the payment of dividends only if approved by shareholders in general meeting and out of audited realised profits of the Company which have been so approved or out of other distributable reserves. Accordingly, if an interim dividend is to be paid, it must previously have been authorised by the shareholders. At the annual general meeting on 14th May, 1982 the shareholders authorised the directors to pay an interim dividend of such amount as they may determine, up to a maximum of \$2.5 million or (if lower) the amount of the Company's distributable reserves. In the absence of unforeseen circumstances the directors expect that the Company will pay an interim dividend in November, 1982 of not less than \$0.20 per share (\$1.1 million in total), for which the shares now being offered will rank.

In the absence of unforeseen circumstances the directors expect to recommend payment of a dividend in May, 1983 of \$0.30 per share which, together with the interim dividend referred to above, would represent a total of \$0.50 per share. On the basis of the above forecast this would be covered 2.3 times. The directors expect future dividends to be paid in dollars in November and May in each year.

Holders of shares registered on the Luxembourg register will receive their dividends in dollars.

For dividends payable to holders of shares registered on the United Kingdom branch register, the United Kingdom registrar will, as soon as practicable after the record date for the relevant dividend, sell the appropriate dollars for sterling, without recourse, to enable dividends to be paid in sterling to those shareholders.

Holders of bearer shares may collect their dividends, which will be paid in dollars, from the paying agents in Luxembourg, London or Geneva.

Dividends will be paid without deduction of any Luxembourg withholding or other Luxembourg tax. Information regarding the taxation treatment of dividends received by shareholders is set out in "Tax Effects for Shareholders" under "Statutory and General Information" below.

PROCEEDS OF THE OFFER FOR SALE

Of the total proceeds of this Offer for Sale some £2.35 million will be represented by subscription monies received by the Company from the issue of new shares and from the sale of the shares currently in Treasury (prior to deduction of the expenses of this Offer for Sale, which are estimated to be £500,000). The Company has arranged the forward purchase of \$3.54 million at £1-\$1.8175 for £1.95 million to coincide with receipt of the proceeds.

In addition, 466,667 shares are being sold by existing shareholders, as described in "Issue Arrangements" under "Statutory and General Information" below.

The net proceeds receivable by the Company will be utilised to finance the Group's further expansion and development. The exercise of the option to purchase the outstanding 75 per cent. of the share capital of Oriflame Corporation would cost approximately \$1,572 million. Taking into account the estimated net proceeds and existing bank and other facilities and cash balances, the directors are of the opinion that the Company and its subsidiaries will have sufficient working capital for their present requirements.

PROSPECTS

The directors view the Group's future with confidence. In the directors' opinion direct selling and mail order will become more widespread selling methods in most countries and, with its newly enhanced product range, proven selling techniques and experience in entering new markets, the Group is well placed to take advantage of this trend. Oriflame has now established its position as an international direct sales cosmetics group with a consistent record of growth and is in a strong financial position.

Although the Group is in broadly the same markets as other cosmetic manufacturers, the directors do not consider that the Group is materially affected by competition from cosmetics companies selling through traditional retail outlets, since the future growth of the Group is to a large extent dependent on the identification and appointment of sales consultants. The principal competitive pressures to which the Group is subject are from other direct sales organisations, but the directors believe that these will not significantly restrain the growth in the number of Oriflame consultants.

The Group's market share for its various products in the different countries in which it operates is relatively small and, as indicated above, the directors believe that considerable scope exists for future growth through increasing the number of consultants.

At the manufacturing plant in Dublin, which is expected to produce approximately one half of the Oriflame cosmetic products to be sold in 1982, both production and warehousing capacity have been increased to keep pace with growth in sales and to increase the proportion of cosmetic products manufactured by the Group.

The entry into the United States market provides a major challenge and, in the opinion of the directors, an opportunity for growth over many years to come, particularly in view of the high awareness in the United States of direct selling. The Group's United States operations, which are at present small, are on both the West Coast, with an office and warehouse in Los Angeles, and the East Coast, with an office and warehouse in Boston.

The establishment of a joint venture in Thailand represents the first step in developing markets for Oriflame's cosmetic products in the Far East. Initial sales are encouraging. The Group now owns the Oriflame trademarks in most of the major territories in the Far East. The directors believe that direct selling is a growing method of sales in these territories, particularly because of their social structures and the nature of retail trade there.

The Group intends to carry out a feasibility study of the Italian market in 1982, to be followed by test marketing.

The directors intend that the Group will continue to provide a range of high quality products, using its proven direct selling techniques, and thereby continue to grow.

PROFIT FORECAST—ASSUMPTIONS AND REPORTS

Assumptions

The profit forecast set out under "Profit Record, Profit Forecast and Dividends" above has been prepared on the basis of the accounting policies normally adopted by the Company and its subsidiaries and reflects the results shown by unaudited management accounts for the three months ended 31st March, 1982, and subsequent unaudited management information, including forecasts of the results of the manufacturing and sales subsidiaries.

- the forecast has been prepared on the following principal bases and assumptions:-
- the appointment and retention of consultants and the average weekly sales per consultant will follow established practice;
- there will be no significant disruption in the production and distribution of Oriflame and Lagonda products;
- there will be no price controls or other changes in law or its interpretation affecting the Group's activities or the status of consultants;
- the exchange rates of the currencies in which the Group trades and accounts will not alter materially from their relationships at 30th April, 1982; the forecast has been compiled on the basis of actual exchange rates for each of the first four months of 1982 and on the assumption that the exchange rates for the remaining eight months will not vary significantly from those ruling at 30th April, 1982;
- the rates and rates of direct and indirect taxation ruling in each country of operation will not change materially from those currently applicable; and
- interest rates will not alter materially from those ruling at 30th April, 1982.

Reports

The following are copies of letters to the directors of the Company from the Reporting Accountants and the Issuing Houses relating to the profit forecast:-

The Directors,
Oriflame International SA
Geneva
19th May, 1982

We have reviewed the accounting policies and calculations for the profit forecast of Oriflame International SA and its subsidiaries for the year ending 31st December, 1982 set out in the Offer for Sale dated 19th May, 1982. The forecast reflects the results shown by the unaudited management accounts for the three months ended 31st March, 1982 and subsequent unaudited management information.

In our opinion the forecast for which the directors are solely responsible, on the basis of the accounting policies and calculations concerned, has been properly compiled on the basis of the assumptions made by the directors set out in the Offer for Sale and is presented on a basis consistent with the accounting policies normally adopted by the Company.

Yours faithfully,

PEAT, MARWICK, MITCHELL & Co.

The Directors,
Oriflame International SA
Geneva
19th May, 1982

We refer to the profit forecast of Oriflame International SA and its subsidiaries for the year ending 31st December, 1982 set out in the Offer for Sale dated 19th May, 1982.

We have discussed with officers of the Group the bases and assumptions on which the forecast is made and have considered the letter dated 19th May, 1982 from Peat, Marwick, Mitchell & Co. regarding the accounting basis and calculations adopted in arriving at the forecast.

As a result of this discussion and in the light of the letter from Peat, Marwick, Mitchell & Co., we have formed the opinion that the profit forecast, for which you are solely responsible, has been properly prepared after due and careful enquiry.

Yours faithfully,

for MORGAN GRENFELL
& CO. LIMITED
Patrick Symes
London

for BLYTHE EASTMAN PAINE WEBBER
INTERNATIONAL LIMITED
Richard E. Butler
President

ACCOUNTANTS' REPORT

The following is a copy of a report received from Peat, Marwick, Mitchell & Co. (Brussels), the Company's Auditors and the Reporting Accountants:-

The Directors,
Oriflame International SA
Morgan Grenfell & Co. Limited
Blyth Eastman Paine Webber
International Limited
Geneva
19th May, 1982

We have examined the audited accounts of Oriflame International SA (the Company) and its subsidiary companies, collectively referred to as "the Group", for the periods relevant to this report in accordance with auditing standards approved by the Institute of Chartered Accountants in England and Wales. These accounts were prepared under the historical cost convention. We have acted as auditors of the Group in respect of all the relevant periods.

The summarised profit and loss accounts, balance sheets and statements of assets and liabilities of funds set out below are based on the audited accounts after making such adjustments as we consider appropriate. In our opinion, these summaries, together with the notes thereon, give a true and fair view of the profits and source and application of funds of the Group for the periods stated and of the state of affairs of the Company and of the Group at the dates stated.

No audited accounts of the Company or of any of its subsidiaries have been prepared in respect of any period subsequent to 31st December, 1981.

Accounting Policies

The significant accounting policies adopted by the Company are as follows:-

(1) Accounting convention
The accounting policies of the Company and its subsidiaries conform with International Accounting Standards (as promulgated by the International Accounting Standards Committee). In areas where there are no International Accounting Standards, the Company has adopted accounting standards which are considered to have international acceptance. The accounting policies set out below have been prepared under the historical cost convention.

(2) Basis of consolidation
The consolidated accounts aggregate the assets and liabilities and profits and losses of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated on consolidation. The consolidated accounts include the Group's share of post-ac

ORIFLAME INTERNATIONAL SA

(v) Foreign currencies: All amounts stated are in US dollars. The Company uses the dollar as its functional currency...

(vi) Depreciation: Depreciation is provided so as to write off fixed assets over their estimated useful lives. The depreciation rates in two categories are as follows:

(vii) Stocks: Stocks and work in progress are stated at the lower of cost including attributable overheads (on a first-in, first-out basis) and market value.

(viii) Deferred income taxes: The Company and its subsidiaries provide deferred income taxes in respect of all significant timing differences between the recognition of income and expense for accounting and tax purposes.

(ix) Research and development: Research and development costs are written off as incurred.

(x) Investment grant: The Group has received an investment grant from the Irish Industrial Development Authority in respect of its manufacturing plant.

Consolidated Profit and Loss Accounts

Table with columns: Note, 1977, 1978, 1979, 1980, 1981. Rows include SALES, TRADING PROFIT, EARNINGS PER SHARE, DIVIDEND PER SHARE.

The figures for earnings per share and dividend per share shown above reflect the share capital in issue after the capital reconstruction effected on 14th May 1982.

Balance Sheets

Table with columns: Note, 31st December 1981. Rows include FIXED ASSETS, NON-CURRENT RECEIVABLES, CURRENT ASSETS, CURRENT LIABILITIES, NET CURRENT ASSETS.

Adjusted Net Assets

Table with columns: Note, The Group, The Company. Rows include NET ASSETS at 31st December 1981, ADJUSTED NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS.

Statements of Source and Application of Funds

Table with columns: Year ended 31st December. Rows include SOURCE OF FUNDS, APPLICATION OF FUNDS.

Summary of the effects of the acquisition of subsidiaries

Table with columns: 1977, 1978, 1979, 1980, 1981. Rows include Net assets acquired, Goodwill, Net liabilities.

Notes

1. Analysis of Sales by Activity: Table showing sales by activity for 1977-1981.

2. Cost of Sales and Expenses: Table showing cost of sales and expenses for 1977-1981.

3. Tax: Table showing tax for 1977-1981.

During 1981 the United Kingdom Government enacted a proposal whereby the "class-b" provision of the United Kingdom stock relief scheme would, in most cases, cease to apply...

4. Deferred Tax: The deferred tax liability at 31st December 1981 results from the following timing differences...

5. Earnings per Share: Earnings per share have been calculated by dividing the profit after taxation by the weighted average number of shares of \$10 each in issue...

Table showing Earnings per Share for 1977-1981.

6. Fixed Assets: The net book value of the Group's fixed assets at 31st December 1981 was:

Table showing Fixed Assets for 1981.

7. Other Assets: During 1980 the Company incurred costs of approximately \$227,000 relating to preliminary work in connection with the Offer for Sale...

8. Subsidiaries: At 31st December 1981 the Company had the following principal subsidiaries:

Table listing subsidiaries and their financial details.

9. Associated Companies: At 31st December 1981 the Group held the following investments in associated companies:

Table listing associated companies and their financial details.

10. Bank Overdrafts and Loans: The bank overdrafts and loans were repayable by the Group at 31st December 1981 as follows:

Table showing bank overdrafts and loans for 1981.

11. Goodwill and Intangible Assets: At 31st December 1981 goodwill and intangible assets amounted respectively to \$654,000 and \$230,000.

12. Share Capital: At 31st December 1981 the share capital of the Company was as follows:

Table showing share capital details for 1981.

13. Movements on Reserves: Movements on reserves of the Group during the period covered by this report have been as follows:

Table showing movements on reserves for 1981.

14. Lease Commitments: At 31st December 1981 the Company had minimum lease commitments under operating leases as follows:

Table showing lease commitments for 1981.

15. Capital Commitments and Contingent Liabilities: (i) Plant and machinery as at 31st December 1981 included \$281,000 (net of depreciation of \$85,000) in respect of leased plant and machinery...

16. Estimated Increase in Net Assets as a Result of the Offer for Sale: The estimated increase in net assets as a result of the Offer for Sale is \$1,042,310.

STATUTORY AND GENERAL INFORMATION

Share Capital: (a) Immediately prior to 19th May, 1980 the share capital of the Company consisted of 227,624 shares of \$10 each fully paid.

(b) On 19th May, 1981 3,000 shares of \$10 each were authorized for each at par to be held by employees of Group companies.

(c) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(d) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(e) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(f) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(g) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(h) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(i) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(j) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(k) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(l) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(m) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(n) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(o) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(p) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

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(s) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(t) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(u) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(v) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

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(x) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

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(z) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(aa) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(ab) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(ac) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(ad) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(ae) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

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(al) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

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(ap) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(aq) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(ar) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(as) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(at) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

(au) On 14th May, 1982 the Company's share capital was increased to \$115 million by the issue of 7 million shares of \$15 each.

Companies and Markets

WORLD STOCK MARKETS

NEW YORK

Table of New York stock market data including high, low, and stock prices for various companies.

1982

Table of 1982 stock market data for various companies.

1981

Table of 1981 stock market data for various companies.

1980

Table of 1980 stock market data for various companies.

1979

Table of 1979 stock market data for various companies.

1978

Table of 1978 stock market data for various companies.

1977

Table of 1977 stock market data for various companies.

1976

Table of 1976 stock market data for various companies.

1975

Table of 1975 stock market data for various companies.

1974

Table of 1974 stock market data for various companies.

1973

Table of 1973 stock market data for various companies.

1972

Table of 1972 stock market data for various companies.

1971

Table of 1971 stock market data for various companies.

1970

Table of 1970 stock market data for various companies.

1969

Table of 1969 stock market data for various companies.

Indices

Table of various stock indices including Dow Jones, Standard and Poors, and others.

NEW YORK

Table of New York stock market data.

1982

Table of 1982 stock market data.

1981

Table of 1981 stock market data.

1980

Table of 1980 stock market data.

1979

Table of 1979 stock market data.

1978

Table of 1978 stock market data.

1977

Table of 1977 stock market data.

1976

Table of 1976 stock market data.

1975

Table of 1975 stock market data.

1974

Table of 1974 stock market data.

1973

Table of 1973 stock market data.

1972

Table of 1972 stock market data.

CANADA

Table of Canadian stock market data.

HOLLAND

Table of Dutch stock market data.

HONG KONG

Table of Hong Kong stock market data.

JAPAN

Table of Japanese stock market data.

NORWAY

Table of Norwegian stock market data.

ITALY

Table of Italian stock market data.

AUSTRALIA

Table of Australian stock market data.

GERMANY

Table of German stock market data.

SOUTH AFRICA

Table of South African stock market data.

SINGAPORE

Table of Singapore stock market data.

FINANCIAL REND

Table of financial rend data.

BRAZIL

Table of Brazilian stock market data.

SWEDEN

Table of Swedish stock market data.

FRANCE

Table of French stock market data.

SWITZERLAND

Table of Swiss stock market data.

DENMARK

Table of Danish stock market data.

TEL AVIV

Table of Tel Aviv stock market data.

NEW YORK ACTIVE STOCKS

Table of New York active stocks.

Companies and Markets

CURRENCIES, MONEY and GOLD

MONEY MARKETS

BY COLIN MILLHAM

Looking at the foundations

The mood of optimism in financial markets as a result of some encouraging economic news earlier this month...

Bank was also forced to relieve market fears with fairly generous intervention...

WEEKLY CHANGE IN WORLD INTEREST RATES

Table showing weekly change in world interest rates for London, Tokyo, Amsterdam, and other regions.

BANK OF ENGLAND TREASURY BILL TENDER

Table showing Bank of England Treasury Bill tender details for May 21 and May 14.

FT LONDON

INTERBANK FIXING

Table showing interbank fixing rates for 3 months U.S. dollars and 6 months U.S. dollars.

LONDON MONEY RATES

Table showing London money rates for various currencies and terms.

The fixing rates (May 21) are the arithmetic means, rounded to the nearest one-sixteenth...

London-bank 1 bill mature in 14 days, band 2 bills 12 to 33 days, and band 3 bills 34 to 63 days.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Table showing Euro-currency interest rates for various currencies like Sterling, U.S. Dollar, Canadian Dollar, etc.

CURRENCIES AND GOLD

Sterling weak

Sterling weakened sharply as hopes of a diplomatic settlement to the Falkland Islands dispute faded.

THE DOLLAR SPOT AND FORWARD

Table showing Dollar spot and forward rates for various currencies.

THE POUND SPOT AND FORWARD

Table showing Pound spot and forward rates for various currencies.

GOLD MARKETS

Table showing gold market prices for various gold bars and coins.

FORWARD RATES AGAINST STERLING

Table showing forward rates against Sterling for various currencies.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various currencies.

OTHER CURRENCIES

Table showing other currency rates for Argentina, Brazil, Finland, etc.

CURRENCY MOVEMENTS

Table showing currency movements for various currencies.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Large section containing numerous financial advertisements, trust information, and company details.

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Table listing various insurance companies and their products, including Abbey Life Assurance Co. Ltd., Anney Life Assurance Ltd., and others, with columns for company name, address, and contact information.

Table listing various insurance companies and their products, including Life Assur. Co. of Pennsylvania, Lloyds Life Assurance, and others, with columns for company name, address, and contact information.

Table listing various insurance companies and their products, including Standard Life Assurance Company, Sun Alliance Insurance Group, and others, with columns for company name, address, and contact information.

Table listing various insurance companies and their products, including Sun Life of Canada, Swiss Life, and others, with columns for company name, address, and contact information.

OFFSHORE AND OVERSEAS

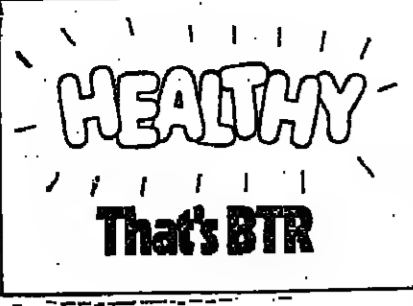
Table listing offshore and overseas managed funds, including Abbey Fund Management, Anney Fund Management, and others, with columns for fund name, manager, and contact information.

Table listing offshore and overseas managed funds, including Sun Life of Canada, Swiss Life, and others, with columns for fund name, manager, and contact information.

NOTES

Notes section providing additional information and disclaimers regarding the fund listings, including a note about the accuracy of the data and the responsibility of the publisher.

FT SHARE INFORMATION SERVICE



BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Table listing various British funds with columns for Stock, Price, and Yield.

Five to Fifteen Years

Table listing British funds with a five to fifteen year horizon, including columns for Stock, Price, and Yield.

Over Fifteen Years

Table listing British funds with an over fifteen year horizon, including columns for Stock, Price, and Yield.

Undated

Table listing undated British funds, including columns for Stock, Price, and Yield.

Index-Linked & Variable Rate

Table listing index-linked and variable rate British funds, including columns for Stock, Price, and Yield.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

Table listing international bank and overseas government sterling issues.

CORPORATION LOANS

Table listing various corporation loans.

COMMONWEALTH AND AFRICAN LOANS

Table listing commonwealth and African loans.

LOANS Public Loan and Ind.

Table listing public loan and industrial loans.

LOANS—Continued

Table listing continued loans, including columns for Stock, Price, and Yield.

Building Societies

Table listing building societies.

FOREIGN BONDS & RAILS

Table listing foreign bonds and rails.

AMERICANS

Table listing American stocks and companies.

CANADIANS

Table listing Canadian stocks and companies.

BANKS AND HIRE PURCHASE

Table listing banks and hire purchase companies.

BANKS & H.P.—Cont.

Table listing continued banks and hire purchase companies.

Hire Purchase etc.

Table listing hire purchase and other services.

BEERS, WINES AND SPIRITS

Table listing beer, wine, and spirit companies.

BUILDING INDUSTRY, TIMBER AND ROADS

Table listing building, timber, and road companies.

CHEMICALS, PLASTICS—Cont.

Table listing continued chemical and plastic companies.

DRAPERY AND STORES

Table listing drapery and store companies.

ELECTRICALS

Table listing electrical companies.

ENGINEERING—Continued

Table listing continued engineering companies.

FOOD, GROCERIES—Cont.

Table listing continued food and grocery companies.

HOTELS AND CATERERS

Table listing hotels and caterers.

INDUSTRIALS (Miscel.)

Table listing various industrial companies.

FOOD, GROCERIES—Cont.

Table listing food and grocery companies.

HOTELS AND CATERERS

Table listing hotels and caterers.

INDUSTRIALS (Miscel.)

Table listing various industrial companies.

Company Search Service advertisement with contact information and a logo.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies.

ENGINEERING MACHINE TOOLS

Table listing engineering machine tool companies.

FOOD, GROCERIES, ETC.

Table listing food, grocery, and other companies.

INDUSTRIALS (Miscel.)

Table listing various industrial companies.

